

BANKING ACT

AN ACT TO PROVIDE FOR THE INTRODUCTION AND OPERATION OF A PROCEDURE FOR THE LICENSING OF PERSONS-CARRYING ON THE BANKING BUSINESS AND OF CARRYING ON THE BUSINESS OF ACCEPTING DEPOSITS AND INVESTING SUCH MONEY; FOR THE REGULATION AND CONTROL OF MATTERS RELATING TO SUCH BUSINESS ; AND TO PROVIDES FOR MATTERS CONNECTED THEREWITH OR INCIDENTAL THERETO.

BE it enacted by the Parliament of the Democratic Socialist Republic of Sri Lanka as follows :

Act Nos,

39 of 1990

33 of 1995

2 of 2005

15 of 2006

46 of 2006

24 of 2024

Short title and date of operation. **1.**(1) This Act may be cited as the Banking Act, No. 30 of 1988.

(2) The provisions of this Act other than Part V shall come into operation on such date as may be appointed by the Minister by Order published in the Gazette (hereinafter referred to as the 'appointed date').

(3) The provisions at Part V of this Act shall come into operation on such later date as may be appointed by the Minister by Order published in the Gazette.

PART I LICENSING OF PERSONS CARRYING ON BANKING BUSINESS

Licensing of banks. **2.** (1) On or after the appointed date, no banking business shall be carried on except by a company under the authority of a licence issued by the Monetary Board with the approval of the Minister,

[2, 24 of 2024]
[2, 2 of 2005]
[3, 33 of 1995]

(2) Where such company is a company incorporated outside Sri Lanka no licence shall be issued unless such company has complied with the provisions of Part XIII of the Companies Act, No, 17 of 1982.

(3) Any company which has been issued a licence under the provisions of this Part shall, hereinafter be referred to as a 'licensed commercial bank'.

(4) Notwithstanding the provisions of subsections (1) and (2) of this section and of section 3 of this Act, all commercial banks specified in Schedule I to this Act, which on the appointed date are carrying on banking business, shall be issued a licence in accordance with the provisions of this Act,

(5) Any company which carries on banking business in contravention of subsection (i) shall be guilty of an offence under this Act.

(6) For the purpose of this section 'company' shall have the same meaning as in section of the Companies Act, No. 17 of 1982, and include a company duly incorporated outside Sri Lanka, or body corporate formed in pursuance of any statute of any foreign country, Royal Charter or letters and a body corporate established by or under any written law and shall not include the Central Bank, a shell bank or a private company incorporated outside Sri Lanka except the banks specified in Schedule I to this Act.

Eligibility criteria to apply for a licence

[3, 24 of 2024]

2A. The following matters shall be taken into consideration by the Central Bank in determining whether a company is eligible to apply for a licence under this Act:-

(a) compliance with the initial capital requirements as may be determined by the Central Bank, from time to time;

(b) the nature and adequacy of the financial resources as a means of continuing financial support for the licensed commercial bank to be established in Sri Lanka;

(c) the capital and other funding sources shall not derive from unlawful activities;

(d) suitability of material shareholders in terms of subsection (1B) of

section 12;

(e) fitness and propriety of directors, chief executive officer and officers performing executive functions or any other person proposed to be appointed to any of the above positions, as the case may be, in terms of the criteria set out in subsection (2) of section 42;

(f) track record for operating in a manner consistent with the standards of good governance and integrity;

(g) transparency in ownership structure and the beneficial ownership;

(h) establishment of a licensed commercial bank in Sri Lanka will be in the interest of the viability and stability of the banking system and the interest of the national economy; and

(i) compliance with any other requirements under this Act or any other written law in Sri Lanka or outside Sri Lanka.'.

Application for a licence.

[4, 24 of 2024]

[3, 2 of 2005]

[4, 33 of 1995]

3.(1) An application for a licence shall be made in writing to the Monetary Board in such manner along with the application fee as may be determined by the Monetary Board.

(2) Every application for a licence shall be accompanied by:

(a) in the case of a company to be formed for the purpose of carrying on banking business:

(i) a copy of the draft Memorandum of Association and the Articles of Association of the company to be formed or the draft Constitution of any other document associated with the formation of such company; and

(ii) a statement containing the names, addresses, occupations and qualifications of the persons proposed as Directors, and if a Chief Executive Officer has been identified, of such officer;

(b) in the case of a company formed before the date of the application and which intends to commence banking business:

(i) a copy of the Memorandum of Association and the Articles of Association of such company or the Constitution or any other document associated with the formation of such company, together with the proposed amendments, if any, to such documents; and

(ii) a statement containing the names, addresses, occupations and qualifications of the Directors of the company and any Directors

proposed to be nominated or appointed and of the Chief Executive Officer of such company;

(iii) a copy of the audited financial statements of the company for the preceding three years;

(c) in the case of an application by a company or body corporate incorporated outside Sri Lanka, such company shall in addition to the documents specified in paragraph (b) submit:

(i) a written undertaking supported by a resolution of the Board of Directors of such company or body corporate, stating that such company or body corporate, as the case may be, shall on demand by the Central Bank, provide such funds as may be necessary to meet all obligations incurred in or in connection with, its business in Sri Lanka; and

(ii) a report containing such information as may be determined by the Monetary Board, from the regulatory authority of the country in which such company or body corporate is incorporated.

(3) On receipt of an application under subsection (1) by the Monetary Board, the Director of Bank Supervision may, where such Director considers it necessary, require the applicant to furnish to the Monetary Board such other documents, information or other particulars, in order to determine whether a licence should be issued or not.

(4) Where on consideration of the documents, information and particulars submitted to the Monetary Board under subsections (1), (2) and (3) and on such further investigations as it may consider necessary, the Monetary Board is satisfied that the application may be approved in principle, it may issue a Letter of Provisional Approval to the applicant. On receipt of the Letter of Provisional Approval, the applicant shall take all preliminary measures as may be required in terms of such Letter, prior to the issue of a licence under section 5, and specified in such Letter.

(5) The Letter of Provisional Approval issued under subsection (4) shall be valid for the period stated in such Letter. Such period shall however not exceed twelve months from the date of issue of such Letter and the

period of validity may only be extended by the Monetary Board in writing, in exceptional circumstances.

(6) The Monetary Board shall cause a copy of each Letter of Provisional Approval issued under subsection (4) and of any communication extending the period of validity of such Letter under subsection (5), or any withdrawal in terms of subsection (7), to be sent to the Registrar of Companies.

(7) The issue of Letter of Provisional Approval under subsection (4) shall not bind the Monetary Board to issue a licence under section 5 to the company or the company to be formed for the purpose of carrying on banking business (hereinafter referred to as a 'proposed company'), in respect of which the Letter of Provisional Approval has been issued, and the Monetary Board may, on the basis of investigations carried out by it under subsection (10) withdraw such Letter or refrain from issuing a licence under section 5 on any one or more of the following grounds:

(a) that the Monetary Board is not satisfied with the suitability of the company or the proposed company to be issued, with a licence;

(b) that the company or proposed company has not complied with the conditions stipulated in the Letter of Provisional Approval have not been complied with;

(c) that the company or proposed company has not complied with the requirements under this Act for the issue of a licence;

(d) that any information contained in the application for a licence or any information submitted in connection therewith by the company or proposed company is found to be false or incorrect; or

(e) that there has been, in the opinion of the Monetary Board, a sufficiently significant change in the economic and the banking environment of the country that warrants the suspension of the issue of licence under section 5:

Provided however, the Monetary Board shall before withdrawing a Letter of Provisional Approval issued in terms of the provisions of this subsection to an applicant in terms of subsection (4), or if a decision is taken by the Monetary Board under this subsection to refrain from issuing a licence, give sufficient notice in writing to the applicant stating the grounds for such withdrawal or decision to refrain from issuing a licence and shall afford him an opportunity of being heard.

(8) A company or a proposed company in respect of which a Letter of Provisional Approval has been issued under subsection (4) shall not commence banking business before the issue of a licence under section 5. Every advertisement, prospectus, notice or other publication issued by the company or proposed company before the issue of the licence shall be required to specify that it has not been issued a licence to carry on banking business under the Act.

(9) A licence shall not be issued under section 5 to a company formed and incorporated under the Companies Act, No. 17 of 1982 unless:

(a) the company is a public company;

(b) the Memorandum of Association of the company sets out as its primary object, the carrying on of banking business as defined in this Act; and

(c) the Memorandum of Association of the Company restricts the other forms of business the company may carry on, if any, to any or all of the forms of business specified in Schedule II to this Act.

(10)

(a) The Monetary Board may, at any time prior to the issue of a licence under section 5, conduct such investigations as it may deem necessary to satisfy itself as to the suitability of the company or proposed company to be issued with a licence, having regard to the interests of the national economy, including the banking needs of Sri Lanka.

(b) At an investigation conducted under paragraph (a) the Monetary Board may require the applicant to satisfy the Board on any matter relevant to the suitability of the company or the proposed company and in particular:

(i) the validity and acceptability of the documents and particulars submitted by the applicant;

(ii) the financial status and history of the company or the proposed company;

(iii) the financial standing, experience and suitability of the Directors, Chief Executive Officer and such other officers of the company performing executive functions as may be determined by the Monetary Board or the persons proposed to be appointed to such positions in the proposed company, as the case may be;

(iv) of the adequacy of the capital of the company or based on the information furnished by the applicant on behalf of the proposed company, the ability of the proposed company to raise adequate capital;

(v) of the ability of the company or the proposed company to cover all obligations and liabilities incurred in the conduct of business in Sri Lanka and to comply with the provisions of the Act;

(vi) the applicant's compliance with the provisions of the Act or any directions given under the Act in relation to the application for a licence under the Act.

(11) Any person who submits information or particulars in an application for a licence or in any other document submitted in connection therewith or in the course of any inquiry or investigation conducted to ascertain the suitability of the company or the proposed company to be issued with a licence under this Act, which to the knowledge of the person is false or misleading in any material particular, shall be guilty of an offence under this Act.

Companies and
bodies corporate
incorporated
outside Sri Lanka

4.(1) The Central Bank may require any company or body corporate incorporated outside Sri Lanka, which has applied for a licence under section 3, to carry out banking business through a branch thereof, to undertake to remit to Sri Lanka, prior to the commencement of its

to remit currency
to Sri Lanka.
[5, 24 of 2024]
[5, 33 of 1995]

business in Sri Lanka, a sum of money determined in United States Dollars, or its equivalent in any designated foreign currency. The amount so remitted may form part of the assigned capital of such company or body corporate and shall be kept as a deposit with the Central Bank or in such other manner as may be determined, from time to time, by the Central Bank.

(2) The Monetary Board may, where such Board considers it necessary or expedient to do so in the interest of national economy, from time to time, make further determinations as regards the remittance of money after the expiry of a period of six months from the date of the last of such determinations.

(3) A determination made under this section shall apply uniformly to all companies and bodies corporate incorporated outside Sri Lanka which apply for a licence after each such determination.

(4) Without prejudice to the provisions of subsection (1), the Central Bank may, having regard to the soundness of the financial position, risk management, governance structure, capital adequacy and availability of liquidity, require any company or body corporate specified in subsection

(1) to establish within Sri Lanka as a subsidiary of its parent company or principal body corporate to be issued with a licence to carry on banking business in Sri Lanka.

(5) Where a commercial bank incorporated outside Sri Lanka is operating as a branch in Sri Lanka immediately preceding the appointed date, the Central Bank may direct such bank to establish a subsidiary of a parent company or principal body corporate of such commercial bank to carry on banking business in Sri Lanka, having regard to the soundness of the financial position, risk management, governance structure, capital adequacy and availability of liquidity subject to such terms and conditions as may be specified in such direction.

Issue of licence.
[6, 24 of 2024]
[4, 2 of 2005]

5.(1) Where the Monetary Board is satisfied that a licence may be issued to a company or a proposed company to carry on banking business, it may, with the approval of the Minister, issue a licence to the company or proposed company to carry on banking business in Sri Lanka subject to such terms and conditions as may be imposed by the Monetary Board.

(2) The licence issued under subsection (1) shall specify:

(a) whether such company is authorized to carry on banking business;

(b) the place or places or the area within which such banking business may be carried on; and

(c) the terms and conditions subject to which such licence is issued.

(3) Every licensed commercial bank shall display a copy of the licence issued to it under subsection (1) in a conspicuous place at its principal place of business in Sri Lanka and each of its branches.

Limits imposed on all licensed commercial banks.

- 6.(1) Subject to the provisions of section 17. no licensed commercial bank shall
- (a) carry on any banking business other than the business specified in the licence; or
 - (b) carry on any other form of business other than those specified in Schedule II to this Act

Bank of Ceylon. People's Bank c not to be restricted by preceding provisions in the exercise of powers.

7. Nothing contained in the provisions of section 6 shall be construed so as to restrict the Bank of Ceylon or the People's Bank, established under the Bank of Ceylon Ordinance (Chapter 397), the People's Bank Act, No. 29 of 1961, respectively, and any Regional Rural Development Bank established under the Regional Rural Development Bank Act, No- 15 of 1985, in the exercise of the powers conferred on each such bank by and under the aforesaid statutes applicable to each of such banks, respectively.

Payment at licence fee.
[7, 24 of 2024]

- 8.(1) Every licensed commercial bank shall pay to the Central Bank an annual licence fee as may be determined by the Monetary Board, having regard to the different classes of banking business carried on by such bank.
- (2) The Director of Bank Supervision shall inform each such licensed commercial bank the amount payable as licence fee, and the manner in which such fee shall be paid.
- (3) Where a licence fee is determined in respect of classes of banking business such fee shall apply to all banks carrying on such classes of business.

Notice of cancellation of licence issued to a licensed commercial bank.
[8, 24 of 2024]

- 9.(1) Where the Monetary Board is satisfied that any licensed commercial bank has -
- (a) failed to commence business within nine months of the issue of the licence under section 5; or
 - (b) failed to pay any debts incurred by it, on such debts becoming due;

or

(c) become insolvent and winding up proceedings have been instituted under any other written law for the time being in force, whether in or outside Sri Lanka and a liquidator or receiver has been appointed for such bank in the interest of its depositors and creditors; or

(d) ceased to carry on banking business; or

(e) contravened any provisions of this Act or any direction, order or other requirement imposed under the Act; or

(f) furnished false, misleading or inaccurate information or documents to the Monetary Board or in the case of a proposed company the applicant for the licence has furnished such information or documents in connection with its application for the licence; or

(g) carried on, or is carrying on, its business in a manner likely to be detrimental to the interests of its depositors,

the Monetary Board may give notice that it would cancel the licence issued to such bank and shall communicate such notice to such licensed commercial bank.

(2) A licensed commercial bank may tender objections in writing to the Monetary Board against the notice of intended cancellation under subsection (1), within fourteen days of the date of receipt of such notice, giving reasons why the licence issued to it under section 5 should not be so cancelled.

(3) The Monetary Board may, within thirty days from the last date for tendering objections under subsection (2), after considering the objections if any, tendered to it under that subsection and after hearing the licensed commercial bank in support of its objections, either withdraw the notice given under subsection (1) with or without conditions or cancel the licence issued to the licensed commercial bank, and shall notify the bank in writing accordingly.

(4) A licensed commercial bank aggrieved by a decision of the Monetary Board made under subsection (3) to impose conditions on the withdrawal of the notice given under subsection (1) or to cancel its licence, may within fourteen days of the date of receipt of the notification given under that subsection, appeal against such decision to

the Court of Appeal.

(5) Until rules are made under Article 136 of the Constitution relating to appeals under this section, the rules made under that Article relating to the hearing of applications by way of revision to the Court of Appeal, shall apply to every appeal made under this section.

(6) The Court of Appeal may on appeal made to it under subsection (4) confirm, reverse, modify or set aside the decision against which the appeal is made and may make any other order as the interests of justice may require.

(7) Without prejudice to subsection (1); the Monetary Board may, where it is satisfied that any licensed commercial bank incorporated outside Sri Lanka has had its licence or authority to operate in the country in which such bank was incorporated cancelled or withdrawn by the appropriate authority or regulatory body of that country, cancel the licence issued to the bank under this Part and shall notify the bank accordingly.

(8)

(a) A cancellation of a licence of a licensed commercial bank under subsection (3) shall take effect-

(i) where the bank does not prefer an appeal against such cancellation under subsection (4), on the expiration of the period for tendering such appeal; or

(ii) where an appeal has been preferred against such cancellation, on the confirmation of the decision of the Monetary Board by the Court of Appeal or the Supreme Court, as the case may be;

(b) A cancellation of a licence of a licensed commercial bank under subsection (7), shall take effect from the date of the receipt by the bank of the notification under that subsection.

(9) Where a cancellation of a licence of a licensed commercial bank has taken effect under paragraph (a) or paragraph (b) of subsection (8), the Monetary Board shall, as soon as possible publish once in the Gazette in Sinhala, Tamil and English languages and once in a Sinhala, Tamil and

English daily newspaper circulating in Sri Lanka, a notification of the cancellation of such licence.

Directions of Board
where notice
cancellation is
issued.

10.(1) Where notice for the cancellation of a licence has been issued by the Monetary Board under subsection (1) of section 9, the Board may give directions to the licensed commercial bank

- (a) prohibiting it from dealing with or disposing of its assets in any manner specified in such direction;
- (b) prohibiting it from entering into any transaction or class of transactions so specified; or
- (c) prohibiting it from soliciting deposits.

(2) Whereas a licensed commercial bank has failed to comply with the directions issued under subsection (1) the Monetary Board may further direct

- (a) such bank to forthwith suspend its business within Sri Lanka, and, in the case of a bank incorporated or established in Sri Lanka, its business within and outside Sri Lanka; and
- (b) the Director of Bank Supervision to take charge of its business and of its books, records and assets, and it shall be lawful for the Director of Bank Supervision to take such steps as are necessary for him to comply with the directive of the Monetary Board.

(3) Where the Director of Bank Supervision takes charge of all books, records and assets under subsection (2) and the Monetary Board withdraws the cancellation unconditionally, the Monetary Board shall direct the Director of Bank Supervision to deliver forthwith to such bank the books, records and assets taken into his custody.

(4) Notwithstanding anything in any written law for the time being in force, no action or proceedings may be instituted by any licensed commercial bank in any court in respect of any directions given bona fide under this section, and any loss or damage incurred or likely to be incurred or alleged to be incurred by reason of any such direction.

Commercial bank
to suspend
business.
[9, 24 of 2024]
[6, 2 of 2005]

11.(1) Where a licence of a licensed commercial bank is cancelled, the Monetary Board shall direct the licensed commercial bank forthwith to suspend its business in Sri Lanka and, in the case of a licensed commercial bank incorporated or established within Sri Lanka, the business both within and outside Sri Lanka, and shall also direct the Director of Bank Supervision to take charge of its business and its books, records and assets and to take such steps as may be necessary to

prevent the continuance of the business of banking by such bank. It shall be lawful for the Director of Bank Supervision to take such action as he may be deem necessary to comply with the directive of the Monetary Board.

(2) Where the cancellation of a licence of a licensed commercial bank incorporated or established within Sri Lanka by or under any written law for the time being in force, has taken effect under paragraph (a) of subsection (8) of section 9, proceedings for the compulsory winding-up of the licensed commercial bank shall commence in accordance with the provisions of any other written law for the time being in force which specifically provides for the winding up of any licenced commercial bank in Sri Lanka.

(3) Where the cancellation of a licence of a licensed commercial bank incorporated outside Sri Lanka has taken effect under paragraph (a) or paragraph (b) of subsection (8) of section 9, the Director of Bank Supervision shall forthwith inform the head office of such bank to honour the written undertaking submitted under paragraph (a) of subsection (2) of section 3 and take such steps as may be necessary to enforce such undertaking and to close down the business of such bank in accordance with the provisions of any other written law for the time being in force which specifically provides for the winding up of any licensed commercial bank in Sri Lanka.

(4) Notwithstanding the provisions of section 9 or any other written law for the time being in force, the Monetary Board may, in any of the circumstances referred to in paragraphs (a) to (g) of subsection (1) of section 9 without proceeding to cancel the licence issued to a licensed commercial bank in terms of section 9, make order which may include any one or more of the following :-

(a) directing the licensed commercial bank to suspend its business in Sri Lanka, and in the case of a licensed commercial bank incorporated or established within Sri Lanka, to immediately suspend its business outside Sri Lanka for such period as is specified in such order subject to such conditions as the Monetary Board may stipulate:

Provided that prior to such suspension, written notice shall be served on the licensed commercial bank, of the decision of the Monetary Board along with its reasons therefor, to suspend the business of such bank. The bank shall also be afforded an opportunity of being heard on such matter either orally or in writing, within a period of time which shall not be less than three working days as shall be specified in such

notice;

(b) requiring the licensed commercial bank which has been required to suspend business under paragraph (a) to hand over all books, records and assets of that licensed commercial bank to the Director of Bank Supervision;

(c) requiring the licensed commercial bank to forthwith take or refrain from taking any action or to do or refrain from doing any act or thing as the Board may consider necessary in relation to the business of such bank;

(d) appointing a fit and proper person to advise such bank with regard to the proper conduct of the business of such bank;

(e) restraining any director, manager or controller of the licensed commercial bank from carrying out any function in or in relation to the bank and appointing a fit and proper person to carry out such functions, in or in relation to, such bank;

(f) for the assumption of control of, and for the carrying on of the business of such bank by the Monetary Board or for delegating the control so assumed to another person in order to carry on the business of the bank;

(g) for the re-organization of such bank, by arranging for the increase of its capital or reconstituting its board of directors or both such measures; and

(h) providing for such arrangements as are necessary for the amalgamation of such bank with any other licensed commercial bank that consents to such amalgamation:

Repealed by [§9, 24 of 2024]

Provided, however that any measures taken under this section shall not preclude the Monetary Board from subsequently proceeding under section 9 where the Monetary Board is of the opinion that it is in the interest of the banking system to do so.

(5) Notice in writing of any measures taken under subsection (4) shall be given to the licensed commercial bank and to any director, manager or controller referred to in paragraph (e) of subsection (4) and such measures shall become effective from the date of the receipt of such notification or such other date as may be specified in the notice.

Section 30 of the Monetary Law Act to be applicable. [8, 33 of 1995]

11A.

Nothing contained in sections 9,10 and 11 of this Act, shall in any way affect the powers conferred on the Monetary Board by section 30 of the Monetary Act.

Approval of the Monetary Board necessary prior to carrying on certain transactions &c. [10, 24 of 2024] [7, 2 of 2005]

12.(1) The written approval of the Central Bank, shall be required

(a) for a licensed commercial bank to open or close a branch, agency or office of such bank, in any part of Sri Lanka or to effect a change in the location of any existing place of business;

(b) in consultation with the Minister, for a licensed commercial bank incorporated or established within Sri Lanka by or under any written law to open or close a branch, agency, or office in any place outside Sri Lanka;

(c) for a licensed commercial bank to acquire the business or part of the business of another licensed commercial bank, licensed specialised bank or a licensed finance company, or a branch of such licensed commercial bank, licensed specialised bank or licensed finance company, as the case may be, or to sell all or part of its business;

(d) for banks incorporated or established outside Sri Lanka to open a representative office or such other place of business within Sri Lanka subject to an application fee as may be determined by the Central Bank, from time time;

(e) for the merger or consolidation of a licensed commercial bank, a licensed specialised bank or a licensed finance company;

(f) for a licensed commercial bank or a licensed specialised bank to acquire the business or part of the business of another financial institution which is subject to the regulation or supervision of the Central Bank.

(1A). Application for approval of an acquisition under paragraph (c) of

subsection (1) or a merger or consolidation under paragraph (e) of subsection (1) shall include -

(a) a statement of the nature of the acquisition or merger or consolidation, as the case may be;

(b) a copy of the proposed agreement, if any, under which the acquisition or merger or consolidation, as the case may be, is to be effected; and

(c) such other particulars and documents as may be prescribed.

'(1B) An approval under paragraphs (c), (e) or (f) of subsection (1) or subsection (1C) shall not be granted, unless the Central Bank is satisfied that such acquisition or merger or consolidation is in the interest of promotion of a safe, sound and stable banking system, and the fair competition prevailing in the banking industry. When granting approval for an acquisition under subsection (1C) to an individual or a body corporate, the Central Bank shall, in determining whether such individual or the directors of such body corporate, as the case may be, are fit and proper persons, have regard to the criteria set out in subsection (2) of section 42 in addition to the following matters:-

(a) track record of the individual or the directors of the body corporate;

(b) soundness and feasibility of the business plans of the individual or body corporate;

(c) the nature and sufficiency of the financial resources of the individual or body corporate as a source of continuing financial support to the licensed commercial bank and the legitimacy of such sources of funding;

(d) the business record and experience of the body corporate for the preceding three years; and

(e) transparency in ownership structure and the beneficial ownership.'

'(1C)

(a) An individual, partnership or body corporate shall not, either directly or indirectly or through a nominee or acting in concert with any other individual, partnership or body corporate, acquire a material interest in a licensed commercial bank incorporated or established within Sri Lanka by or under any written law without the prior written approval of the Central Bank.

(b) Without prejudice to the generality of subsection (2), approval under paragraph (a) of this subsection may be granted subject to terms and conditions as the Central Bank may deem fit.

(c) Without prejudice to the provisions of subsection (3), the secretary of a licensed commercial bank shall not enter in the share register, the index of shareholders or in any other register maintained to keep records of shareholders of such licensed commercial bank, the name of an individual, an entity (whether corporate or unincorporate) or a nominee of such individual or entity who has acquired the material interest in contravention of paragraph (a) and such person shall not be recognized as a shareholder or a person to be deemed as a shareholder of such licensed commercial bank.

(d) Without prejudice to the provisions of subsection (3), where the contravention of subsection (1C) has been committed by an existing shareholder of the licensed commercial bank, it shall be lawful for the Central Bank to direct such licensed commercial bank to remove the name of such shareholder from the share register, index of shareholders or any other register maintained to keep records of shareholders of such licensed commercial bank, as the case may be, within the period of time as may be specified in such directions. It shall be the duty of such licensed commercial bank to comply with such direction with effect from the date of such direction for removal, and the said shareholder shall not be considered or deemed as a shareholder of such licensed commercial bank until such shareholder complies with the provisions of subsection (1C).

(e) For the purposes of this subsection,-

'acting in concert' means acting pursuant to an understanding (whether formal or informal) to actively co-operate in acquiring a material interest in a licensed commercial bank so as to obtain or consolidate the control of that licensed commercial bank;

'material interest' means the holding of over ten per centum of the issued capital of a licensed commercial bank carrying voting rights or, if the Central Bank determines that there exists a significant influence over the licensed commercial bank to nominate, appoint or remove a director, chief executive officer or an officer performing executive functions of the licensed commercial bank or to exercise control over the policies of such bank pursuant to a contract or otherwise.'

(2) The approval under this section may be granted subject to such terms and conditions as may be specified by the Central Bank.

'(3) Notwithstanding anything to the contrary in the provisions in this Act or any other written law, where the Central Bank is satisfied based on the information submitted by the licensed commercial bank or on its own findings that any individual, partnership or body corporate specified in subsection (1C) has acquired the material interest of such bank in contravention of subsection (1C) or any terms or conditions of the approval granted thereunder, it shall be lawful for the Central Bank to direct such licensed commercial bank or such individual, partnership or body corporate, as the case may be, to dispose of such material interest subject to such terms and conditions as the Central Bank may consider necessary and after giving such bank or individual, partnership or body corporate an opportunity of being heard.

(4) Until the disposal is effected under subsection (3), the Central Bank may direct the licensed commercial bank whose material interest has been acquired or the individual, partnership or body corporate who has contravened the provisions of this section, or both such bank and the individual, partnership and the body corporate, as the case may be, to give effect to, one or more of the following:-

(a) suspend the exercise of voting rights entitled to such shareholding or part thereof;

(b) notwithstanding to the contrary in any other written law, prohibit such licensed commercial bank accruing any distribution rights pertaining to such shareholding or part thereof;

(c) prohibit the licensed commercial bank issuing further shares to or pursue any offer made by the individual, partnership or body corporate who has contravened the provisions of subsection (1C);

(d) except in a liquidation, prohibit the licensed commercial bank paying any sums due, including any form of distribution, to such individual, partnership or body corporate who has contravened the provisions of subsection (1C);

(e) provide further details of such shareholding acquired in contravention of subsection (1C) to the Central Bank, in such manner as the Central Bank may determine; or

(f) request a licensed stock exchange or Central Depository System to impose a restriction on trading of shares held in excess of material interest, by any shareholder as a locked balance of his share account, until further instructions to that effect is issued by the Central Bank.'

Withdrawal of
variation of
approval under
section 12.
[11, 24 of 2024]

13.(1) The Central Bank may, on a report by the Director of Bank Supervision, by order made in writing, withdraw the approval or vary the terms and conditions of an approval granted under section 12, including the closure of a branch, agency or office of a licensed commercial bank. Notice of the decision of the Monetary Board shall be communicated by the Director of Bank Supervision to such bank which shall carry out all the obligations and meet all the liabilities of the branch, agency or office.

(2) Any licensed commercial bank to whom notice has been issued under subsection (1) may within thirty days of the date of such order, tender objections in writing to the Monetary Board giving reasons why

such approval should not be withdrawn or the terms and conditions varied.

(3) After the expiration of sixty days from the date of the notice and after considering the objections placed before the Central Bank under subsection (2), the Central Bank shall,-

(a) by order made in writing, cancel the notice of withdrawal or the variation unconditionally; or

(b) by order made in writing and published in the Gazette, confirm the withdrawal or variation with or without modification.

(4) Where the order for the closure has been made under subsection (1), the Monetary Board shall direct the Director of Bank Supervision to take all steps as may appear necessary in the circumstances, to satisfy himself that all persons who have deposited moneys in that branch, agency or office are given the opportunity to withdraw such moneys expeditiously and to ensure that such measures as would safeguard the interest of such depositors are taken. It shall be lawful for the Director of Bank Supervision to take such steps accordingly.

Mobile banking units.
[9, 33 of 1995]

13A. (1) Notwithstanding the provisions contained in paragraph (a) of subsection (1) of section 12, the Deputy Governor may on, guidelines issued by the Monetary Board for such purpose, grant approval for the establishment of mobile banking units, subject to such terms and conditions as he may determine, from time to time.

(2) The Deputy Governor may on a report of Director of Bank Supervision, by order made in writing withdraw the approval granted under subsection (1) or vary the terms and conditions of such approval, and notice of the decision shall be communicated to the relevant licensed commercial bank'.

Compliance of persons and banks suspected of carrying on banking business.
[8, 2 of 2005]

14.(1) Where the Governor of the Central Bank has reasonable grounds to believe that any persons is carrying on banking business in contravention of the provisions of this Act, the Governor may direct the Director of Bank Supervision or any other officer of the Central Bank to examine the books, accounts and records of such person for the purpose of ascertaining whether such person has contravened, or is

contravening, any of the provisions of this Act.

(2) The Director of Bank Supervision or such other officer so authorized by the Governor in terms of subsection (1) may require such person or the bank to furnish to him such information or to produce for inspection any books, minutes, accounts, cash, securities, vouchers, other documents and records as he may consider necessary to obtain for the purpose of such examination, and it shall be the duty of such person or bank to furnish such information and to submit to such officer for examination such books, minutes, accounts, cash, securities, vouchers, other documents and records, as the case may be, when so required.

(3) Any person who fails to furnish such information or to produce any books, minutes, accounts, cash, securities, vouchers, other documents and records when required to do so under subsection (2) shall be guilty of an offence under this Act.

(4) Any refusal by any person or commercial bank to furnish such information or to submit such books, minutes, accounts, cash, securities, vouchers, other documents and records in contravention of the provisions of subsection (2) shall be prima facie evidence of such person or bank carrying on banking business without a licence.

Memorandum and Articles to be altered With approval.
[10, 33 of 1995]

14A. A licensed commercial bank which is a company as denned in section 449 of the Companies Act, No. 17 of 1982, shall not alter its Memorandum of Association and the Articles or Association, without the prior written approval of the Monetary Board.

provisions of this Part not to apply to the Monetary Board or Central Bank.

15.The provisions of this Part shall not be construed to mean that a licence under section 5, or approval under section 12, shall be required for the Monetary Board or the Central Bank to exercise, perform or discharge the powers, duties or functions, in respect of banking business conferred on, or imposed on, or assigned to, the Monetary Board under the Monetary Law Act or any written law.

PART II

BANKING NAMES AND DESCRIPTIONS

Restriction on use **16.**(1) No company other than a licensed commercial bank or a licensed

of certain names
and descriptions.
[9, 2 of 2005]
[11, 33 of 1995]

specialised bank shall, except with the prior written approval of the Monetary Board, use as part of its name or its description any of the words 'bank', 'banker' or 'banking', or any of its derivatives or its transliterations, or their equivalent in any other language and no licensed commercial bank or a licensed specialised bank shall carry on business in Sri Lanka unless it uses as part of its name at least one of such words :

Provided however, a licensed commercial bank or a licensed specialised bank incorporated outside Sri Lanka which does not have the word 'bank', 'banker' or 'banking' in any language in its name may carry on business in Sri Lanka notwithstanding the omission of these words in its name;

- (2) No firm, individual or group of individuals, shall, except with the prior written approval of the Monetary Board, for the purpose of carrying on any business, use as part of its or his name or description any of the words ' bank', ' banker ' or ' banking ' or any of its derivatives, or its transliterations, or their equivalent in any other language
- (3) Nothing in this section shall apply-
 - (a) to a subsidiary of a licensed commercial bank or of a licensed specialised bank established in accordance with the provisions of this Act or any directions given hereunder;
 - (b) to any association of licensed commercial banks or licensed specialised banks formed for the protection of their interests;
 - (c) to a trade union registered under the Trade Union Ordinance (Chapter 138), which is an association or combination of workers who are employees of a banking institution within the meaning of section 127 of the Monetary Law Act, or of the Central Bank or of a licensed specialised bank;
 - (d) to an agency, institution, person or body of persons which is a banking institution in terms of paragraph (b) or paragraph (d) of the definition of the expression 'banking institution' in section 127 of the Monetary Law Act;
 - (e) to the use of the words in the manner restricted under subsection (1) for the purpose of incorporating or changing the name of a company during the period of validity of a letter of Provisional Approval issued under section 3 or section 76B;

(f) to the representative office of a commercial bank incorporated or established outside Sri Lanka.

Licensed
commercial bank
not to have as its
subsidiary a
company which is
not a licensed
commercial bank.
[12, 24 of 2024]
[12, 33 of 1995]

17.(1) A licensed commercial bank incorporated or established in Sri Lanka shall not have as its subsidiary a company which is not a licensed commercial bank:

Provided however, such bank may, with the written permission of the Monetary Board, have a subsidiary which carries on any one or more of the following businesses-;

(a) carries on the business of providing training in any one of the subjects relating to banking, accountancy, valuation, project appraisal and credit appraisal;

(b) carries on the business of engaging in hire purchase transactions;

(c) carries on the business of providing medium and long term credit for development;

(d) carries on the business of factory leasing and warehousing;

(e) carries on the business of providing management consultancy services;

(f) becomes the subsidiary only by reason of a licensed commercial bank having to acquire the share of a company consequent to such licensed commercial bank capitalising the capital and the interest accrued thereon, and which is unpaid by the company to the bank, on loans granted by the licensed commercial bank;

(g) carries on any form of business which in the opinion of the Monetary Board is not inconsistent with the business of banking and the provision of finance;

Provided, further that the provisions of this subsection shall not apply to a subsidiary formed before the appointed date by any licensed commercial bank incorporated or established in Sri Lanka.

(2) A licensed commercial bank shall not accord to any of its subsidiary companies, treatment which is more favourable than the treatment accorded to other constituents of the bank, carrying on the same business as any such subsidiary company.

(3) For the purposes of this Act a company shall, subject to the

provisions of subsection (4) of this section, be deemed to be a subsidiary of another if, and only if

(i) that other company holds more than half in nominal value of its equity share capital; or

(ii) that other company is a shareholder of it and controls the composition, of its board of directors; or

(iii) the first-mentioned company is a subsidiary of any company which is that other's subsidiary.

(4) In determining whether one company is a subsidiary of another

(a) any shares held or power exercisable by that other in a fiduciary capacity shall be treated as not held or exercisable by it;

(b) subject to the provisions of paragraphs (c) and (d). any shares held or power exercisable

(i) by any person as a nominee for that other except where that other is concerned only in a fiduciary capacity; or

(ii) by, or by a nominee for a subsidiary of that other, not being a subsidiary which is concerned only in a fiduciary capacity, shall be treated as held or exercisable by that other;

(c) any shares held or power exercisable by any person by virtue of the provisions of any debentures of the first mentioned company or of a trust deed for securing the issue of such debentures shall be disregarded;

(d) any shares held or power exercisable by, or by a nominee of, that other or its subsidiary (not being held or exercisable as referred to in paragraph (c)) shall be treated as not held or exercisable by that other, if the ordinary business of that other or its subsidiary, as the case may be, includes the lending of money, and the shares are held or power is exercisable as aforesaid by way of security, only for the purposes of a transaction entered into in the ordinary course of that business.

(4A) Any licensed commercial bank having a non-financial subsidiary that does not provide services to such licensed commercial bank or its banking group as at the appointed date, shall divest its ownership in the equity share capital of such subsidiary within a period of five years from the appointed date, after notifying the Central Bank of such decision and the manner in which such bank will discontinue the business carried out by such subsidiary.

(5) For the purposes of this Act, a company shall be deemed to be

another's holding company if, and only if, that other is its subsidiary.

(6) In this Part the expression 'equity share capital' in relation to a company, means its issued share capital excluding any part thereof which, neither in respect of dividends nor as respects capital, carries any right to participate beyond a specified amount in a distribution.

Purchase of shares
fifty percent or less
by a licensed
commercial bank.
[10, 2 of 2005]
[13, 33 of 1995]

17A. (1) subject to the provisions at sub-section (2), a licensed commercial bank shall not acquire or hold shares in any company, and

(a) any share holding acquired by such bank shall not be in excess of such percentage of its capital funds as the Monetary Board may determine from time to time; and

(b) the aggregate amount invested to the shares of listed public companies (excluding companies which are subsidiaries of the bank) shall not exceed, such percentage of its capital funds as may be determined from time to time by the Monetary Board:

Provided however a licensed commercial bank may, without exceeding the limit specified above, acquire shares in a public company other than a listed company, if such acquisition becomes necessary for the purpose of rehabilitating such company to make it financially viable.

(2) The provisions of subsection (1), shall not apply to-

(a) Investment in a subsidiary company of such bank which is a licensed commercial bank;

(b) Investments in any other subsidiary company of the bank acquired with the approval of the Monetary Board;

(c) any shareholding which the bank might acquire in the course of the satisfaction of any debt due to such bank, or as a consequence of the under-

Provided that- where as a result of the acquisition of these shares the total investment of the bank exceeds the percentage of capital funds as determined by the Monetary Board under subsection (1), the Bank shall dispose of such excess shares within two years or such longer period as may be determined by the Monetary Board, of the date of such acquisition;

(d) any acquisition or holding of shares in any company which in the opinion of the Monetary Board is established for the advancement and promotion of human resources development and technological development in the banking and financial sectors;

(e) investments authorized by the Monetary Board.

(3) for the purpose of this section 'listed public company ' means any public company which has its securities listed or quoted in a stock exchange licensed under the Securities and Exchange Commission Act, No. 37 of 1987.

PART III
CAPITAL REQUIREMENTS, RESERVE FUNDS AND
MAINTENANCE OF LIQUID ASSETS

Compliance with provisions of this Part essential.

18.Notwithstanding anything contained in any other written law no licensed commercial bank shall on or after the appointed date, commence or carry on business in Sri Lanka unless it complies with all the requirements specified in this Part.

Capital.
[13, 24 of 2024]
[2, 15 of 2006]
[14, 33 of 1995]

19.(1) Subject to the provisions of sub-section (3), every licensed commercial bank-

(a) which has been issued with a licence prior to the date of commencement of this section, shall at all times maintain an equality capital in an amount not less than twenty-five million rupees;

(b) which has been issued with a licence after the date of commencement of this section, shall at all times maintain an equity capital in an amount not less than one hundred million rupees at sum other amount as the Monetary Board may, having regard to the viability and stability of the banking system and the interest of the national economy determine, from time to time.

(2) 'equity capital' shall mean-

(a) paid up capital if it is a licensed commercial bank incorporated or established in Sri Lanka by or under any written law;

(b) the amount assigned to such bank by the head office, if it is a licensed commercial bank incorporated or established outside Sri Lanka.

(3)

(a) The Monetary Board may, vary from time to time the amounts specified as the minimum amounts required to be maintained by a licensed commercial bank as equity capital under subsection (1) of this

section, having regard to -

(i) the deposit liabilities or to the total liabilities including contingent liabilities or to the total assets or to any specified category of assets, of a licensed commercial bank; or

(ii) the viability and stability of the banking system and the interest of the national economy.

(b) For the purpose of computing the minimum required equity capital, when such amount is prescribed in reference to liabilities or assets, book capital and liabilities or assets shall be of such kind and computed in such manner as the Monetary Board may from time to time determine having regard to the interest of national economy.

(c) The Monetary Board shall, in writing, communicate to all licensed commercial banks any variation made by it in respect of the equity capital required to be maintained by a licensed commercial bank.

(d) Where any licensed commercial bank is required by such variation to augment its equity capital, it shall upon application to the Central Bank, be afforded a period of twelve months, or such other period as may be granted by the Central Bank, in which to comply with that requirement.

(4) In the case of a licensed commercial bank incorporated or established in Sri Lanka by or under any written law, the limit of foreign participation in the capital of such bank, shall at no time exceed the limit, established from time to time, by the Monetary Board.

(5) A licensed commercial bank shall not reduce its equity capital without the prior written approval of the Monetary Board.

(6) A licensed commercial bank shall not create any charge upon any unpaid capital of such bank and any such charge created in contravention of these provisions shall be null and void.

(7)

(a) Every licensed commercial bank shall at all times maintain a capital adequacy ratio as may be determined by the Monetary Board, which shall in determining such ratio to be maintained, as far as practicable adopt the guidelines for capital adequacy set out by Bank for International Settlements in Basel.

(b) Any variation in the capital adequacy ratio referred to in paragraph

(a) shall be communicated to every licensed commercial bank by the

Central Bank in writing, provided that every licensed commercial bank which is required by such variation to augment its capital, shall be afforded a period of twelve months or such other period as may be granted by the Central Bank, in which to comply with such requirement.

(9) Where the equity capital or capital funds of a licensed commercial bank have become deficient in terms of the provisions of the preceding subsections the Monetary Board may, grant a reasonable period of time for the rectification of such deficiency.

(10) The Central Bank may require a licensed commercial bank to maintain additional capital as the Central Bank may consider appropriate having regard to the specific risks emanating from the business of such licensed commercial bank.

Reserve fund.

20.(1) Every licensed commercial bank shall maintain a reserve fund and shall, out of the net profits after the payment of tax of each year, before any dividend is declared or any profits are transferred to the head office or elsewhere, transfer to such reserve fund-

(a) a sum equivalent to not less than five per centum of such profits until the amount of the said reserve fund is equal to fifty per centum of the paid-up or assigned capital of such bank, as the case may be; and

(b) a further sum equivalent to not less than two per centum of such profits until the amount of the said reserve fund is equal to the paid-up or assigned capital of such bank as the case may be:

Provided, however, that an amount not less than twenty-five per centum of the net profits shall be utilised for setting off such intangible assets as may be determined by the Monetary Board, before such profits are transferred to the reserve fund.

(2) The reserve fund of any licensed commercial bank shall not be reduced nor impaired: Provided, however, that the Monetary Board may, specify circumstances in which the reserve fund may be reduced, and shall permit a reduction when a transfer is made for the purpose of increasing the paid-up or assigned capital, as the case may be. The Monetary Board shall permit an impairment of the reserve fund when it is the only means of preventing an impairment of paid-up or assigned capital, as the case may be, subject to the condition that within a given period of time, the deficiency shall be rectified.

Liquid Assets.

21.(1) Every licensed commercial bank shall, at all times maintain liquid

[14, 24 of 2024] assets that are required to meet its liabilities as may, from time to time, be determined by the Central Bank and comply with the requirements on liquidity having regard to the developments in the regulatory requirements, and the Central Bank shall, as far as practicable, adopt international standards applicable on liquidity requirements of such licensed commercial bank.

(2) Without prejudice to the provisions of subsection (1), the Central Bank may, from time to time, determine additional liquid assets required to be maintained by any licensed commercial bank to meet liabilities and it shall be the duty of every licensed commercial bank to maintain such assets in such ratios as may be directed by the Central Bank.

Payment of dividends.
[15, 24 of 2024] **22.**The Central Bank may, from time to time, having considered the capital or liquidity levels of a licensed commercial bank, issue directions to such licensed commercial bank imposing conditions to be met by such bank prior to declaring or paying dividends, whether scrip or otherwise, or transfer of profits earned in Sri Lanka, outside Sri Lanka.

Central Bank to designate foreign currency to be used in offshore banking business
[16, 24 of 2024] **22A.** The Central Bank may, by Order designate any foreign currency for the purpose of carrying on offshore banking business.

[17, 24 of 2024] **23.**Section 23 to 34 Repealed by [17, 24 of 2024]

PARTIVA
NUMBERED ACCOUNTS

[2,39 of 1990]

Secrecy.
[18, 33 of 1995] **34B.** (1) Every officer of a licensed commercial bank operating a numbered account on behalf of a customer and every person, who by reason of his capacity or office, has any access to the records, registers, correspondence or any other material of such bank relating to such numbered account shall keep absolute secrecy with regard to the contents thereof, in the interests of the customer to whom the

account relates.

(2) Where a licensed commercial bank has opened a numbered account on behalf of a customer, the identity of the owner of the numbered account shall be absolutely inviolate and every officer of such licensed commercial bank and every Other person referred to in subsection (1) shall not give, divulge or reveal any information whatsoever regarding the name or identity of the owner of such numbered account to any individual, corporation, bank, court, institution, entity, department, official, agent, representative of the Government of Sri Lanka or any other government or to any other legal or natural person, judicial or military authority, unless

(a) the owner of such numbered account gives his permission so to do; or

(b) legal proceedings are instituted by, or against such licensed commercial bank by, or against, the owner of such numbered account relating to a banking transaction arising from such numbered account; or

(c) he is required to do so

(i) by any provision of any law giving effect to an international convention on narcotics or hijacking, in any criminal proceedings instituted under that law, in any court;

(ii) by on order of the Supreme Court, made on application therefor, on the ground that moneys in such account have been, or are being, used in furtherance of an act which constitutes an offence under the Prevention of Terrorism Act, No. 48 of 1979.

(3) For the purpose of this section 'numbered account' means an account opened with a licensed commercial bank authorized by the Monetary Board under repealed section 34A, that is identified only by a number, code, word or such other means as was determined by the Monetary Board.

PART V

ACCOUNTS, AUDIT, INFORMATION AND INSPECTION

Preparation of
financial

35. Every licensed commercial bank shall maintain accounts and records and prepare financial statements in accordance with applicable

statements by
licensed
commercial banks
[18, 24 of 2024]

accounting standards. The financial statements of a licensed commercial bank shall represent a true and accurate assessment of the bank's affairs and reflect its operations and financial condition both on a solo and consolidated basis.

[19, 24 of 2024]

36. Repealed by [19, 24 of 2024]

[20, 24 of 2024]

37. Repealed by [20, 24 of 2024]

Publication of
financial
statements by
licensed
commercial banks
[21, 24 of 2024]
[15, 2 of 2005]
[20, 33 of 1995]

38.(1) Every licensed commercial bank incorporated or established within Sri Lanka shall,-

(a) transmit within three months after the closure of its financial year, to the Director of Bank Supervision, its audited financial statements in solo and consolidated basis for such financial year in respect of its business in and outside Sri Lanka;

(b) exhibit such statements in a conspicuous place at each of its places of business until the solo and consolidated financial statements for the succeeding financial year are prepared and exhibited; and

(c) publish such statements at least once within the period specified in paragraph (a) in at least one Sinhala, Tamil and English daily newspaper circulating in Sri Lanka, and in the official website of the respective bank.

(2) Every licensed commercial bank incorporated outside Sri Lanka shall,-

(a) transmit within three months after the closure of its financial year, to the Director of Bank Supervision, its audited financial statements for such financial year in respect of its business in Sri Lanka;

(b) exhibit such statements in a conspicuous place at each of its places of business until the financial statements for the succeeding financial year are prepared and exhibited; and

(c) publish such statements at least once within the period specified in paragraph (a) in at least one Sinhala, Tamil and English daily newspaper circulating in Sri Lanka, and in the official website of the respective bank.

(3) The Central Bank may specify the form of the financial statements referred to in subsections (1) and (2) including any disclosure requirements to be made and where such form is specified, the financial statements of every licensed commercial bank shall be prepared in such form.

(4) Where the Central Bank determines that a disclosure made under subsection (3) does not contain information which is required to contain or is otherwise false or misleading, the Central Bank may, by notice in writing, require such bank -

(a) to publish a disclosure statement including the information that was previously omitted;

(b) to publish a disclosure statement without including false or misleading information; or

(c) to take such other corrective action as may be specified in the notice.

Director of Bank Supervision to issue list of qualified auditors. [21, 33 of 1995]

38A. (1) The Monetary Board may having regard to the need to ensure that experienced and competent qualified auditors are engaged in auditing the accounts of licensed commercial banks, issue guidelines to the Director of Bank Supervision who shall select from time to time in accordance with such guidelines, such number of qualified auditors to audit the accounts of licensed commercial banks and transmit a list of such selected qualified auditors to all licensed commercial banks.

(2) It shall be the duty of all licensed commercial banks to select their auditors for purpose of auditing its accounts from and out of the list transmitted under subsection (1).

Appointment of auditor. [22, 24 of 2024] [22, 33 of 1995]

39.(1) Every licensed commercial bank shall appoint annually from and out of the list issued by the Director of Bank Supervision under section 38A, a qualified auditor to audit the accounts of such bank. The duties of such auditor shall be

(a) in the case of a licensed commercial bank incorporated or established within Sri Lanka by or under any written law, to prepare a report in respect of financial statements examined by him, to be submitted to each of its shareholders; and

(b) In the case of a licensed commercial bank incorporated outside Sri Lanka, to submit a report to its head office in respect of financial statements examined by him.

'(1A) Where there are findings which to the knowledge of the auditor in the performance of his duties under this Act, that-

(a) losses have been incurred or likely to incur which may materially reduce the capital of any licensed commercial bank;

(b) irregularities have been occurred in such bank, including the

engagement of such bank in unsound or unsafe practices in carrying on of its business which is likely to jeopardize the interests of its depositors and creditors; or

(c) the obligations to the depositors and creditors of such bank are not sufficiently covered by the assets of such bank,

the auditor shall immediately report such findings or any other matter that can materially affect the safety and soundness of the licensed commercial bank to the Director of Bank Supervision.';

(2) Every report specified in subsection (1) which shall be completed within two months of the end of the financial year, shall contain a statement by the auditor as to whether in his opinion the financial statements contain a true and fair view of the bank's financial position including the compliance with the provisions relating to issuing of financial statements and making disclosures by a licensed commercial bank and where the auditor has called for an explanation or any information from any officer or agent of such licensed commercial bank whether such explanation or information is satisfactory.

(3) The report of the auditor made in accordance with subsections (1) and (2) shall, in the case of a licensed commercial bank incorporated or established within Sri Lanka by or under any written law, be read together with the report of the Board of Directors of the licensed commercial bank at the annual general meeting of its share-holders, and; in the case of a licensed commercial bank incorporated outside Sri Lanka, be transmitted to the head office of such licensed commercial bank. A copy of such report shall be transmitted to the Director of Bank Supervision. Where the Director of Bank Supervision is not satisfied with the report of the auditor, he may make a request to the Monetary Board for the appointment of a new auditor to submit a fresh report.

(3A) Notwithstanding the provisions of subsection (3), the Director of Bank Supervision may, on receipt of the report referred to in that subsection, call upon the auditors to-

(a) submit such additional information to relation to the audit, as the Monetary Board considers necessary;

(b) enlarge or extend the scope of the audit of the business and affairs

of the bank;

(c) carry out such other examination required by him or recommend to the licensed commercial bank any procedure in respect of a particular matter; and

(d) submit a report on any of the matters referred to in paragraphs (b) and (c),

and the cost of such additional audit or such other work shall be met by the respective licensed commercial bank.

(3B) Where the Central Bank is of the view that an additional audit is required to be conducted in respect of one or more aspects of the business and affairs of a licensed commercial bank, the Director of Bank Supervision may require such bank to conduct an additional audit on such aspects and the cost of such additional audit shall be met by the respective licensed commercial bank.

(3C) The provisions of sections 38A and 39 in respect of the appointment, duties and powers, and remuneration of auditors shall mutatis mutandis apply in respect of any auditor employed to conduct an additional audit under this section.

(4) If a licensed commercial bank fails to appoint an auditor under subsection (1) or the Director of Bank Supervision has made a request to the Monetary Board in terms of subsection (3), the Monetary Board shall have the power to appoint an auditor for such licensed commercial bank.

(5) Every auditor appointed under subsection (1) or (4) shall have a right of access at all times to the books, accounts and vouchers and all documents and records belonging to the licensed commercial bank, which he considers necessary for the performance of his duties, and he shall be entitled to require from the officers of such bank such information and explanations as He thinks necessary for the performance and proper discharge of his duties and functions as auditor.

(6) The remuneration of the auditor, whether appointed by the licensed commercial bank or by the Monetary Board, shall be paid by the

licensed commercial bank and, in the case of an auditor appointed by the Monetary Board under subsection (4), he shall be paid such amount as may be determined by the Monetary Board.

(7) No person having an interest in any licensed commercial bank or any director, officer, employee, agent of such licensed commercial bank shall be eligible for appointment as auditor for that licensed commercial bank. Any person appointed as auditor who shall after such appointment acquire any interest in or become a director, officer, employee or agent of such licensed commercial bank shall forthwith cease to act as such auditor.

(7A) The engagement partner of the auditor of a licensed commercial bank shall be a member of the Institute of Chartered Accountants of Sri Lanka and shall not be subject to any disqualification under any written law in Sri Lanka or abroad from being appointed as an auditor.

(7B) Every licensed commercial bank shall change the auditor of such bank once in every six years and shall change the engagement partner once in every three years.

(7C) A licensed commercial bank which has already appointed an auditor shall comply with the provisions of this section within a period of two years from the appointed date.'; and

(8) Repealed by [22, 24 of 2024]

Consequences of failure to submit audit report &c.

40. Where any licensed commercial bank has, due to circumstances beyond its control, failed to comply with the provisions of section 35, or where an auditor appointed by such licensed commercial bank has, due to reasons beyond his control, failed to complete the audit report as specified, the Monetary Board may, on an application made by such licensed commercial bank, grant a reasonable period of time for compliance with the preceding provisions of this Part.

Monetary Board to cause examination

41. (1) The Monetary Board shall, from time to time, cause an examination of any licensed commercial bank on solo and consolidated basis to be

of a licensed
commercial bank
or any of its
subsidiaries.
[23, 24 of 2024]

made by an officer duly authorized by it, whenever it appears to the Board that such examination is necessary or expedient in order to examine whether such licensed commercial bank is in a sound financial condition and whether the carrying on of business by the licensed commercial bank has been in accordance with the provisions of this Act or any other written law.

- (2) Every licensed commercial bank and any subsidiary of such licensed commercial bank referred to in subsection (1) shall permit the officer authorized by the Monetary Board, to inspect at any time as requested by such officer all books, minutes, accounts, cash, securities, vouchers other documents and record relating to its business and shall be required to furnish such information concerning its business as may be requested by such officer.
- (3) If any books, minutes, accounts, cash, securities, vouchers, other documents and records are not produced or information not furnished in accordance with the provisions of subsection (2) or if any information furnished or item produced is false in any material particular the defaulting licensed commercial bank or subsidiary or both, as the case may be, shall be guilty of an offence under this Act.

PART VI

DISQUALIFICATION FOR APPOINTMENT AS DIRECTOR, SECRETARY, &C. OF LICENSED COMMERCIAL BANKS

Disqualification for
appointment,
election &c., as
director.
[24, 24 of 2024]
[16, 2 of 2005]
[23, 33 of 1995]

42. (1) No person shall be appointed, elected or nominated as a director of a licensed commercial bank or continue as a director of such bank unless that person is a fit and proper person to hold office as a director of such bank and if he is not prevented from doing so by any provision of this Act or of any other written law.
- (2) In determining whether a person would, for the purposes of subsection (1) be considered to be a fit and proper person, the following matters shall be taken into consideration:
 - (a) that such person possesses academic or professional qualifications and effective experience in banking, finance, economics, accounting, business administration, information technology, risk management, law or any other relevant discipline as may be determined by the Central Bank;

(b) that there is no finding of any regulatory or supervisory authority, professional association, any Commission of Inquiry, tribunal or other body established by law in Sri Lanka or abroad, to the effect that such person has committed or has been connected with the commission of, any act which involves fraud, deceit, dishonesty or any other improper conduct;

(c) that such person is not subject to any proceedings, inquiry or investigation consequent upon being served with notice of a charge involving fraud, deceit, dishonesty or other similar criminal activity, by any court, tribunal, regulatory authority, supervisory authority, professional association, Commission of Inquiry, or any other body established by law, in Sri Lanka or outside Sri Lanka.

(d) that such person has not been convicted by any Court in Sri Lanka or abroad in respect of a crime committed in connection with financial management or of any offence involving moral turpitude;

(e) that such person is not an undischarged insolvent nor has he been declared a bankrupt in Sri Lanka or abroad;

(f) that such person has not failed, to satisfy any judgement or order of any court whether in Sri Lanka or abroad, or to repay a debt;

(g) that such person has not been declared by a court of competent jurisdiction in Sri Lanka or abroad, to be of unsound mind;

(h) that such person has not been removed or suspended by an order of a regulatory or supervisory authority from serving as a director, Chief Executive Officer or other officer in any bank or financial institution or corporate body, in Sri Lanka or abroad;

(i) that such person has not been a director, Chief Executive Officer or held any other position of authority in any bank or financial institution.-

(i) whose license has been suspended or cancelled; or

(ii) which has been wound up or is being wound up, or which is being compulsorily liquidated.

whether in Sri Lanka or abroad.

(3)

(a) A director or an employee of a licensed commercial bank shall not be appointed, elected or nominated as a director of another licensed commercial bank or a licensed specialised bank except where such licensed commercial bank or such licensed specialised bank is a

subsidiary company or an associate company of the first mentioned licensed commercial bank.

(b) An employee of a licensed commercial bank may be appointed, elected or nominated as a director of that bank subject to the following conditions :-

(i) the number of employees appointed, elected or nominated as directors (hereinafter referred to as 'executive directors') shall not exceed one-third of the number of members of the Board of Directors of the bank;

(ii) where employees are appointed, elected or nominated as executive directors one of them shall be the Chief Executive Officer of the bank and the others shall be such officers of the bank performing executive functions as may be determined for the purposes of section 44 A;

(iii) a meeting of the Board of Directors of the bank shall not be duly constituted although the number of Directors required to constitute the quorum at such meeting is present unless more than one half of the number of directors present at such meeting are directors who are nonexecutive directors.

(4) Every licensed commercial bank shall notify the Director of Bank Supervision in such form as may be determined by the Director of Bank Supervision, the name, address and occupation and if he considers necessary, any further information of -

(a) each person proposed to be appointed, elected or nominated as a director of such licensed commercial bank, before such appointment, election or nomination, as the case may be;

(b) any director of such licensed commercial bank, if such bank is aware that such person is not a fit and proper person or where such director becomes otherwise ineligible to hold office as such director, within fifteen days of such bank becoming aware of such facts.

(4A) The Director of Bank Supervision may, upon receipt of notice under subsection (4), if he considers necessary, cause further investigation to satisfy himself in relation to any of the matters referred to in subsection (1) or (2).

(5) The Director of Bank Supervision may, having regard to the matters specified in subsections (1), (2) and (3), approve or refuse to approve the proposed appointment, election or nomination as the case may be as a director of the licensed commercial bank of the person referred to in paragraph (a) of subsection (4) and shall, within thirty

days after submission of the name of such person under that subsection, notify the bank of such approval or refusal, giving reasons therefor. It shall be the duty of the bank to communicate such notification to the person to whom it relates.

(6) A person aggrieved by the refusal of the Director of Bank Supervision under the provisions of subsection (5) to approve his proposed appointment, election or nomination as the case may be, as a director of the relevant bank, may within fourteen days of the date of receipt of the communication sent by the bank under subsection (5) tender written objections against such refusal to the Monetary Board. Upon receipt of such objections, the Monetary Board shall after considering the reasons given by the Director of Bank Supervision in his notification and the objections of the aggrieved party, and such other matters which in its opinion merit inquiry, decide either to confirm the refusal made by the Director of Bank Supervision or approve the proposed appointment, election or nomination as the case may be, of such person as a director of the bank.

(7) A licensed commercial bank shall not appoint, elect or nominate as a director of the licensed commercial bank, a person whose appointment, election or nomination, as the case may be, has not been approved under subsection (5) or subsection (6) and no such director shall be permitted to carry out any duty or function of such licensed commercial bank in any capacity.

(8) Where the Director of Bank Supervision, having regard to the matters specified in subsections (1), (2) and (3) is satisfied at any time that a person appointed, elected or nominated as the case may be as a director of a licensed commercial bank is not a fit and proper person or that he is otherwise ineligible for appointment, election or nomination as the case may be or that the election, appointment or nomination as the case may be of a person as a director of a licensed commercial bank contravenes the provisions of subsection (3) or subsection (7) the Director shall submit a report to the Monetary Board. The Board may, if it is satisfied on consideration of the report and such other matters which in its opinion merit inquiry, that the person is not a fit and proper person or the election, appointment or nomination as the case may be of the person contravenes the provisions of subsection (3) or subsection (7)-

(a) direct the bank in writing to remove such person from the office of director within such period as may be specified in such direction,

giving the reasons for such direction; and

(b) notify in writing the person whose removal is required under such direction, of such direction, a copy of which shall be annexed to such notification,

and the bank shall within the period specified in the direction remove such person from the office of the director and notify such person in writing of his removal from the office of director, and shall take such steps as are necessary to inform the shareholders of the bank and the Registrar of Companies of such removal. The removal of a director in accordance with the directions given under paragraph (a) shall take effect from the date of receipt by the director of the notification of removal given by the bank, notwithstanding the provisions of any other law or the Articles of Association of the bank.

(9) A licensed commercial bank which fails to comply with any direction given under paragraph (a) of subsection (8) within the period specified in such direction and a director who has been served with a notice under paragraph (b) of section (8) who continues to function as a director, shall each be guilty of an offence and shall be liable on conviction after trial before a Magistrate to a fine of rupees five hundred thousand and shall -

(a) be liable in the case of the bank, to a further fine of rupees one hundred thousand, in respect of each day the bank fails to comply with such direction after such conviction; and

(b) be liable in the case of a director of the bank, to a further fine of rupees one hundred thousand in respect of each day such director continues as director after such conviction.

(10) Any person who is aggrieved by the removal of such person from the office of director of a licensed commercial bank under subsection (8), may appeal in writing against such removal to the Monetary Board and the Monetary Board shall after considering the appeal, either confirm such removal or issue new directions to the bank to reappoint him to his former office as a director of such bank.

(11) Where any written law, other than this Act, provides for the appointment of a person as a director of a licensed commercial bank by virtue of an office the person holds, the preceding provisions of this section shall not apply to the appointment of that person as a director of such bank.

(12) The Board of Directors of a licensed commercial bank shall have

the duty to oversee the management of the affairs of the licensed commercial bank including its governance framework and be ultimately responsible for ensuring that the business of such bank is carried out in compliance with all applicable laws and consistent with safe and sound banking practices.

(13) Notwithstanding anything to the contrary in any other written law, the Central Bank shall, from time to time, determine the number of members of the Board of Directors of a licensed commercial bank which number shall not be less than seven in any case.

Secretary of a
licensed
commercial bank.
[24, 33 of 1995]

43.A licensed commercial bank shall appoint as its Secretary, a person who possesses such qualifications as may be prescribed for a secretary of a company, under subsection (1) of section 176 of the Companies Act, No 17 of 1982 and on being appointed the Secretary, shall unless such person is already an employee of such licensed commercial bank, become an employee of that bank and shall not become an employee of any other Institution so long as such person continues to be employed as the Secretary of such licensed Commercial Bank.

Disqualification for
being appointed as
Manager or
Secretary of a
Licensed
commercial bank.

44.(1) No person shall be appointed as Manager, Secretary or other official of a licensed commercial bank and any person appointed as Manager, Secretary or other official of such bank shall be removed from office if he

- (a) is a person, who, having been declared insolvent or a bankrupt under any law in Sri Lanka or in any other country, is an undischarged insolvent or bankrupt;
- (b) is serving or has served a sentence of imprisonment imposed by any court in Sri Lanka or by any other country; or
- (c) has been convicted of any act which is of a fraudulent or illegal character.

(2) No person who has been a director or has been a chief executive officer of a licensed commercial bank which has been wound up by an Order of court shall, without the written approval of the Monetary Board, as a director or chief executive officer of a licensed commercial bank.

(3) No licensed commercial bank shall employ or be managed by a managing agent other than an employee of such licensed commercial bank.

Chief Executive
Officers and
executive officers.
[25, 24 of 2024]
[17, 2 of 2005]

44A. (1) The Chief Executive Officer and such other officers of a licensed commercial bank performing executive functions as may be determined by the Central Bank shall be fit and proper persons to hold such respective positions, and the provisions of subsection (2) of section 42 shall, mutatis mutandis, apply in determining whether such persons are fit and proper persons.

(2) The provisions of subsections (5) (6), (8), (9) and (10) of section 42 shall apply to the Chief Executive Officer and officers performing executive functions referred to in subsection (1) of this section and to the licensed commercial bank of which such person is a Chief Executive Officer or an officer performing executive functions as they apply to a director of a licensed commercial bank and to the licensed commercial bank of which such person is a director.

Disqualification of
a director, the chief
executive officer or
an officer
performing
executive functions
of a licensed
commercial bank
who previously
held such positions
in such bank
[26, 24 of 2024]

44B. (1)

(a) Where the Central Bank, in pursuance to findings of any examination or investigation conducted on affairs of a licensed commercial bank, is satisfied at any time that a person who previously held office as a director, the chief executive officer or an officer performing executive functions of such bank has committed or has been connected with the commission of any act involving fraud, deceit, dishonesty or other similar criminal activity or any other improper conduct during the period in which he served in such office which may disqualify such person to be a fit and proper person to be appointed, elected or nominated as a director, the chief executive officer or officer performing executive functions of a licensed commercial bank, or any other financial institution regulated and supervised by the Central Bank, it shall be lawful for the Central Bank to determine that such person is not fit and proper, notwithstanding the fact that whether such person no longer holds such office at the time of making such determination.

(b) The Central Bank shall, prior to making such determination ensure that such person has been offered an opportunity of being heard.

(2) The person so determined as not fit and proper under subsection (1) shall not be eligible to be appointed, elected, nominated or continued as a director, chief executive officer or other officer performing executive functions of a licensed commercial bank or any other financial institution regulated and supervised by the Central Bank.

This Part of this Act to prevail in case of inconsistency [26, 24 of 2024]

44C. In the event of any conflict or inconsistency between the provisions of this Part of this Act and the provisions of any other written law for the time being in force, the provisions of this Part shall prevail.

PART VII CONTROL OVER LICENSED COMMERCIAL BANKS

Power of the Director of Bank Supervision. [18, 2 of 2005]

45.(1) Where the Director of Bank Supervision is satisfied that a licensed commercial bank-

- (a) is engaged in unsafe and unsound practices in the carrying on of its business which is likely to jeopardise its obligations to its depositors or is likely to result in such bank being unable to meet its obligations; or
- (b) has contravened or failed to comply with the provisions of this Act or of any regulation, direction, order or other requirement made or given under this Act or has contravened or failed to comply with any other written law which in the opinion of the Director of Bank Supervision relates to banking or finance,

the Director of Bank Supervision may, subject to subsection (2) issue an order directing the licensed commercial bank,

- (i) to cease and desist from any such practice, contravention or failure;
- (ii) to comply with the provisions of this Act or of such other written law, or of any regulation, direction, order or other requirement made or given under this Act;
- (iii) to take necessary action to correct the conditions resulting from such practice, contravention or failure,

within such period as may be specified in the order.

(2) An order issued under subsection (1) shall -

- (a) specify the unsafe and unsound practice engaged in or the provisions of this Act or other written law or the regulation, direction, order or other requirement made or given under this Act that are contravened or not complied with;
- (b) be served personally on, or be sent by registered post to, the

licensed commercial bank;

(c) take effect on the date of its service on the licensed commercial bank, notwithstanding an appeal made under subsection (3), unless the Monetary Board otherwise directs.

(3) Any licensed commercial bank aggrieved by an order issued under subsection (1) may, before the expiration of thirty days of the date of service of the order, appeal to the Monetary Board and the Monetary Board shall, within thirty days of the date of receipt of the appeal confirm, vary or revoke such order.

(4) Without prejudice to anything contained in section 9, and notwithstanding that an appeal has been tendered to the Monetary Board under subsection (3), a licensed commercial bank which fails to comply with an order under subsection (1) within the period specified in the order, shall be guilty of an offence under this Act and shall be liable on conviction upon trial by a Magistrate to a fine of one million rupees and to a further fine of one hundred thousand rupees for each day of non-compliance with the order after the conviction, provided that, where an appeal has been tendered under subsection (3), proceedings shall not be instituted before a Magistrate until the decision of the Monetary Board is conveyed to the licensed commercial bank.

Monetary Board to **46.**

give directions to
licensed
commercial banks.

[27, 24 of 2024]

[3, 15 of 2006]

[19, 2 of 2005]

[25, 33 of 1995]

(1) In order to ensure the soundness of the banking system, the Monetary Board may issue directions to licensed commercial banks considering the asset size, scale, diversity and complexity of operations of such banks or for reasons to be stated in writing to any one or more of them regarding the manner in which any aspect of the business of such bank or banks is to be conducted and without prejudice to the foregoing, may, also issue directions specifying -

(a) the class or classes of advances which may or may not be made by such bank;

(b) the margins to be maintained in respect of secured advances;

(c) the limit on large exposures which, having regard to the equity capital, reserves and deposits of such licensed commercial bank and other relevant considerations including, as far as practicable, the adoption of international standards applicable on large exposures, as may be made by such bank-

(i) to any single company, public corporation, firm, association of

persons or an individual; or

(ii) in the aggregate to-

(A) an individual, his close relations or to a company or firm in which he or his close relations have a substantial interest; or

(B) a group of connected borrowers if at least one of the following criteria is satisfied:-

(a) control relationship, a company and one or more of the following having a control relationship with each other:-

(i) its subsidiaries;

(ii) its holding company;

(iii) its associate company;

(iv) a subsidiary of its holding company;

(v) a company in which a company referred to in item (a) of this sub paragraph or its subsidiary, or its holding company, or a subsidiary of its holding company, has a substantial interest;

(vi) an individual having a substantial interest in such company and the close relations of such individual; or

(vii) any other company having direct or indirect control over such company as may be determined by the Central Bank;

(b) economic interdependence between connected borrowers as may be determined by the Central Bank based on predetermined criteria:

Provided that, it shall be lawful for a licensed commercial bank to comply with the provisions of this paragraph within a period of three years from the appointed date or such other period as may be determined by the Central Bank.

(d) the maximum percentage of the share capital in a licensed commercial bank incorporated in Sri Lanka-

(i) held by a company, an incorporated body, or an individual;

(ii) held in the aggregate by-

(a) a company and one or more of the following:-

(aa) its subsidiaries;

(bb) its holding company;

(cc) a subsidiary of its holding company; or

(dd) a company in which such company or its subsidiary, or its

holding company, or a subsidiary of its holding company has a substantial interest; or

(b) an individual and one or more of the following:-

(aa) his close relations;

(bb) a company in which he has a substantial interest or in which his close relation has a substantial interest;

(cc) the subsidiary of such company;

(dd) a holding company of such company;

(ee) a subsidiary of such company's holding company;

(ff) a company in which such company, or its subsidiary, or its holding company or a subsidiary of its holding company has a substantial interest; or

(gg) an incorporated body other than a company in which such individual or his close relation has a substantial interest; or

(c) companies in each of which an individual or company as the case may be, has either directly, indirectly or beneficially a substantial interest or significant management interest.

For the purposes of this Act a company is deemed to be an 'associate company' of another company where not less than twenty per centum and not more than fifty per centum of its shares are held by that other company.

(2) A direction issued under subsection (1) shall have effect notwithstanding that such direction will require a licensed commercial bank to effect a change in the nature or amount of any of its assets or liabilities, whether acquired or incurred before or after the date of the coming into operation of this Act, provided that a licensed commercial bank which is required to so effect a change, is afforded a period of twelve months from the date of such direction or such longer period as may be granted by the Monetary Board in which to comply with that requirement.

(3) In order to comply with a direction issued to it under paragraph (d) of sub-section (1), a licensed commercial bank may direct a person holding shares in such bank to reduce the number of shares

held by such person in such bank, whether such shares were acquired by such person before or after the appointed date, within, such period as may be specified in such direction; and it shall be the duty of such person to comply with such direction.

Subsection (4) was repealed by [19, 2 of 2005]

Imposition of
general and
specific provisions
requirements for
bad and doubtful
debts.
[26, 33 of 1995]

46A.

The Monetary Board shall have the power to require both general and specific provisions relating to bad and doubtful debts, to be made by licensed commercial banks and it shall be the duty of all licensed commercial banks to conform with the requirement so imposed.

Conditions for the
grant of a loan by
way of
accommodation.
[28, 24 of 2024]
[20, 2 of 2005]
[27, 33 of 1995]

47.(1) Repealed by [28, 24 of 2024]

(2) A licensed commercial bank shall not grant accommodation for the purchase of its own shares nor grant accommodation against the security of-

(a) its own shares;

(b) shares of companies which have a substantial interest in it: or

(c) shares of companies in which the companies referred to in paragraph (b) have a substantial interest:

Provided that nothing in this section shall be taken to prohibit the provision by the licensed commercial bank, in accordance with any scheme for the time being in force, of money for the purchase of or subscription for fully paid shares in the licensed commercial bank being a purchase or subscription by Trustees of or for shares to be held by or for the benefit of employees of the licensed commercial bank:

Provided further that the amounts of money so provided and the aggregate principal amount of such accommodation outstanding at any one time, shall not exceed the equivalent of ten percentum of the total nominal amount of the subscribed and paid up share capital of the bank or ten percentum of the unimpaired capital funds of the bank, whichever is greater.

(3) A licensed commercial bank shall not grant any accommodation to any of its directors or to a close relation of such director unless such accommodation is sanctioned at a meeting of its Board of Directors with not less than two-thirds of the number of directors constituting the Board of Directors (other than the director concerned) voting in favour of such accommodation and, except where such accommodation is provided by the issue of a credit card, such accommodation is secured by such security as may from time to time be approved by the Monetary Board.

(4) Accommodation granted by a licensed commercial bank to a director or to a close relation of such director shall not exceed such limit as may be approved by the Monetary Board from time to time by Order published in the Gazette.

(5) A licensed commercial bank shall not grant any accommodation to a concern in which any director of the licensed commercial bank has a substantial interest, being an interest acquired either before or after the appointment as the director, unless such security as may from time to time be approved by the Monetary Board is given and such accommodation is sanctioned at a meeting of the Board of Directors of the licensed commercial bank by the votes of not less than two thirds of the number of its directors other than the Director concerned.

(6) Where any accommodation has been granted by licensed commercial bank to a person or a close relation of a person or to any concern in which the person has a substantial interest and if the person is a director of that licensed commercial bank on the appointed date or is appointed a director after the appointed date, steps shall be taken to obtain such security as may be approved for that purpose by the Monetary Board, within one year from the appointed date or from the date of appointment as director, whichever is applicable:

Provided that the provisions of this section shall not apply to a director who at the time of the grant of an accommodation, was an employee of the bank and the accommodation was granted under a scheme applicable to the employees of such bank.

(7) Where such security has not been, provided as specified in subsection (6), the licensed commercial bank shall take steps to recover any amount due on account of any accommodation together with interest, if any, due thereon

(a) within the period specified at the time of the grant of accommodation or at the expiry of a period of six months of the termination of the period specified in subsection (6), whichever is earlier;

(b) where no period has been specified, at the expiry of a period of one year of the termination of the period specified in subsection (6):

Provided that the Monetary Board may, in any case, on an application in writing made to it by the licensed commercial bank in that behalf, extend the period for the recovery of the accommodation until a date, not beyond the period of three years commencing from the expiry of six months specified in paragraph (a):

Provided further, that the provisions of this subsection and of subsection (6) shall not apply if and when the director concerned vacates such office whether by death, retirement, resignation or otherwise.

(8) Where no security has been provided within the period specified in subsection (6), or the amount due has not been repaid in tense of subsection (7) in respect of an accommodation granted to a director or to a concern in which the director has a substantial interest such Director shall be deemed to have vacated office on the expiry of the period specified in subsection (7).

(9) Every director of a licensed commercial bank, who is in any manner whatsoever, whether directly or indirectly, Interested in any accommodation or proposed accommodation from that licensed commercial bank, shall as soon as is practicable, declare the nature of his interest to the Board of Directors and the Secretary or Manager of such licensed commercial bank shall cause the declaration to be circulated forthwith to all the directors,

(10) A director shall not take part in any deliberations or decisions of the Board with regard to any business transacted or proposed to be transacted by a licensed commercial bank in which the director or a

close relation of the director, or a concern in which the director has a substantial interest, is interested, and the director shall withdraw from the meeting of the Board at which such business is discussed or transacted while the deliberation is in progress or decision is being made.

(11) No accommodation granted by a licensed commercial bank under subsection (3) or subsection (5) or any part of such accommodation or any interest due thereon shall be remitted without the prior approval of the Monetary Board and any remission without such approval shall be void and of no effect.

(11A) Where any accommodation is granted by a licensed commercial bank under subsection (3) or subsection (5) during the course of any financial year, such accommodation shall be disclosed in the accounts for that financial year and for each subsequent financial year till such accommodation has been repaid or settled in full.

(11B) The provisions of subsections (3), (4), (5), (6), (7), (11) and (11A) shall apply to the following persons, and such persons shall comply with such provisions:—

(a) a chief executive officer or an officer performing executive functions of a licensed commercial bank in respect of any accommodation granted other than an accommodation granted to such officer under a scheme applicable to the employees of such bank;

(b) a shareholder of a licensed commercial bank having material interest, whether individual or a concern;

(c) a subsidiary or an associate company of the licensed commercial bank;

(d) a holding company of the licensed commercial bank including its subsidiaries, excluding the parent bank and subsidiaries of a bank incorporated outside Sri Lanka;

(e) a director of a subsidiary or an associate company of the licensed commercial bank and a director of a holding company and its subsidiaries;

(f) a close relation of a person specified in paragraphs (a) and (b);

- (g) a concern, whose director or partner is a director of such bank; and
- (h) a concern in which a material shareholder of a licensed commercial bank or any of his close relations has substantial interest.

(11C) Any person referred to in subsection (11B) who contravenes the provisions of subsection (3), (4), (5), (6), (7), (11) or (11A) commits an offence under this Act.

(12) Any director who contravenes the provisions of sub sections (9) and (10) shall be guilty of an offence under this Act.

(13) For the purpose of this section 'company' shall not include a company incorporated outside Sri Lanka; 'director' shall not include a director of a licensed commercial bank incorporated outside Sri Lanka.

(14)

(a) The Central Bank may require a licensed commercial bank to deduct the amount of any accommodation granted by such bank in excess of the limits specified in subsection (4), to any related party for the purposes of calculating the regulatory capital ratios under subsection (7) of section 19 or require such excess to be secured by such security as directed by the Central Bank.

(b) The minimum period of time that the Central Bank may afford to a licensed commercial bank to comply with the provisions of paragraph (a) shall be a period of twelve months or such other period as may be determined by the Central Bank, which in any case shall not exceed a period of three years.

Licensed commercial bank not to engage in buying selling, &c.

48.(1) Notwithstanding anything contained in any other written law or in any contract, no licensed commercial bank shall directly or indirectly deal in the buying or selling or bartering of goods, except in connection with the realization of security given to or held by it, or engage in any trade, or buy, sell or barter goods for others, otherwise, than in connection with bills of exchange received for collection or negotiation or with such of its business as is referred to in Schedule II or in any other law or in the Bank at Ceylon Ordinance (Chapter 387)

or in the People's Bank Act, No. 29 of 1961, where the provisions of these enactments are applicable.

(2) The provisions of the preceding subsection shall not apply to any such business as aforesaid, which was being carried on by a bank on the appointed date:

Provided that the said business shall be completed before the expiry of one year from the appointed date.

Purchase and acquisition of immovable property.
[28, 33 of 1995]

48A. A licensed commercial bank shall not purchase or in any other way acquire any immovable property or any right therein, exceeding in the aggregate such percentage of its capital funds as may be determined by the Monetary Board from time to time, except as are reasonably required for the purpose of conducting its banking business or of housing or providing amenities for its staff:

Provided this restriction shall not prevent the bank from accepting any immovable property as security for a debt and in the event of default in payment of the debt, from holding such immovable property until its sale at the earliest opportunity.

Prohibition in the sale, transfer, &c. of immovable assets.
[21, 2 of 2005]

49. Without the prior approval obtained in writing of the Director of Bank Supervision, no licensed commercial bank shall sell, transfer, assign or dispose of any of its immovable assets below the market value of the assets or increase the valuation of the assets as recorded in the books of the bank above the market value of the assets.

In case of insolvency to inform Director of Bank supervision.
[29, 33 of 1995]

49A. Any licensed commercial bank which considers that it is, or is likely to be unable to meet its obligations or is about to become insolvent or is about to suspend payments due to depositors and other creditors, shall forthwith inform the Director of Bank Supervision of that fact'.

To 49L Repealed by
[29, 24 of 2024]

49B. 49B to 49L Repealed by [29, 24 of 2024]

PART VIII
LIQUIDATION OF LICENSED COMMERCIAL BANKS
INCORPORATED WITHIN SRI LANKA AND CLOSURE OF
BRANCHES OF LICENSED COMMERCIAL BANKS

INCORPORATED OUTSIDE SRI LANKA

[30, 24 of 2024] **50.** Repealed by [30, 24 of 2024]

Liquidation.

51. No voluntary liquidation of a licensed commercial bank incorporated or established in Sri Lanka by or under any written law shall be effected without the prior authorization of the Monetary Board obtained in writing. The authorization shall be granted only if it appears to the Monetary Board that

(a) the licensed commercial bank is solvent and has sufficient liquid assets to repay its depositors and other creditors without delay; and

(b) the liquidation has been approved by the affirmative vote of the shareholders of at least three-fourths of the outstanding shares entitled to vote at a meeting called expressly for this purpose:

Provided that if the liquidation is to be effected in whole or in part through the sale of any of the assets of the licensed commercial bank to, and the assumption of its deposit liabilities by, another licensed commercial bank, the Monetary Board may, upon a finding of imminent danger of insolvency, waive the requirement for shareholder approval:

Provided further, that the provisions of paragraph (c) of subsection (1) of section 12 shall not apply to such assumption of liabilities.

Licensed commercial bank to cease to carry on business.

52. Where a licensed commercial bank has received the authorization of the Monetary Board to liquidate, such bank shall

(a) immediately cease to carry on business, exercising only such powers as are necessary to effect an orderly liquidation;

(b) repay sums of money due to its depositors and other creditors;

(c) wind up all operations undertaken prior to the receipt of the authorization.

Notice of liquidation to be sent to depositors, creditors &c.

53. Any licensed commercial bank which is subject to voluntary liquidation shall, within thirty days of the receipt of the authorization referred to in section 51 cause a notice of voluntary liquidation, to be sent by registered post to all depositors, to the creditors, and persons otherwise entitled to the funds or property held by such licensed

commercial bank as a fiduciary, lessor or a safe deposit box or bailee. The Monetary Board shall specify the information to be included in the notice. The Monetary Board may, where it considers it expedient so to do, exempt the posting of such notice to specified persons upon a showing of reasonable cause therefor by such licensed commercial bank. The notice shall be kept displayed in a conspicuous place within the place of business of the licensed commercial bank, and shall be given such other publicity as the Monetary Board may direct.

Safeguard rights of depositors and creditors. **54.** The authorization to go into voluntary liquidation shall not prejudice the rights of a depositor or other creditor or owner to payment in full of his claim and the rights on an owner of funds or other property held by the licensed commercial bank. All lawful claims shall be paid promptly and all funds and other property held by the licensed commercial bank shall be returned to their rightful owners within such maximum period as the Monetary Board may determine.

Distribution of the outstanding assets among the owners of the licensed commercial bank [31, 24 of 2024] **55.** Where the Monetary Board is of the opinion that any licensed commercial bank has discharged all its obligations as referred to in section 54 the outstanding assets shall be distributed among its rightful owners in proportion to their respective rights. No distributions shall be made until

- (a) all claims of depositors or other creditors or owners have been paid and, in the case of disputed claims, before the licensed commercial bank has transmitted to the Central Bank sufficient funds to meet any liability that may arise after a judicial decision;
- (b) any funds payable to depositors, other creditors and owners who have not claimed them, have been transmitted to the Central Bank;
- (c) any other funds or property held by the licensed commercial bank which could not be returned to the rightful owner in accordance with the provisions of this section, have been dealt with in accordance with section 72; and
- (d) all monies or other articles held in a safe deposit box which have not been paid or returned to the rightful owners under section 54, have been transferred to a special account of the Central Bank or are disposed in accordance with the directions issued by the Central Bank for such purpose, as the case may be.

Cancellation of the licence issued to a **56.** Once all outstanding assets have been distributed in accordance with the provisions of section 55, the Director of Bank Supervision shall

licensed commercial bank and to remove the name from the list [32, 24 of 2024]

direct such licensed commercial bank subject to voluntary winding up to submit the audited financial statements of such bank to the Central Bank for its approval. Once the audited financial statements are approved by the Central Bank, the Central Bank shall cancel the licence issued to such licensed commercial bank and the name of such bank shall be removed from the list of licensed commercial banks.

Banking [33, 24 of 2024]

57. Section 57 to 69 Repealed by [33, 24 of 2024]

Closure of licensed commercial banks incorporated outside Sri Lanka. [34, 24 of 2024]

70. (1) When a licensed commercial bank incorporated outside Sri Lanka wishes to close down its business in Sri Lanka the approval of the Monetary Board for the closure shall be granted, subject to such terms and conditions as the Board may specify. Where approval is granted by the Board the affairs of the licensed commercial bank in Sri Lanka shall be wound up in accordance with the procedures set out in subsection (4).

(2) When a cancellation of the licence of a licensed commercial bank incorporated outside Sri Lanka has been made final under subsection

(3) of section 9, the licensed commercial bank shall terminate its business in Sri Lanka and its affairs shall be wound up in accordance with the provisions of subsection (4).

(3) When liquidation proceedings in respect of a licensed commercial bank incorporated outside Sri Lanka are started at the place where the head office is located, the Monetary Board shall order the closure of the licensed commercial bank in Sri Lanka.

(4) When the business of the licensed commercial bank is closed down under subsections (1) or (2) or (8), the licensed commercial bank which is the subject of liquidation, shall retain only such powers as are necessary to wind up its affairs within Sri Lanka, which shall be done expeditiously and in an orderly manner. The Director of Bank Supervision shall supervise the winding up under subsection (1) or (2) or (3) of this section, in accordance with the provisions of subsections

(1) and (3) of section 11, take all measures necessary to ensure that no assets owned by the licensed commercial bank, which is the subject of liquidation are removed from Sri Lanka until all obligations and liabilities incurred by such bank, to which the undertaking referred to in paragraph (c) of subsection 2 of section 3 relates, have been met in accordance with the undertaking.

(5) Where the Monetary Board is of the opinion that the licensed

commercial bank has discharged all the obligations referred to in the preceding provisions of this section, the name of such bank shall be removed from the list of licensed commercial banks.

This Part to prevail **71.** In the event of conflict or inconsistency between the Provisions of this over any other law. Part of this Act and the provisions, of the Monetary Law Act (Chapter 422) or the Companies Act. No,17 of 1982. the provisions of this Part shall prevail.

PART IX ABANDONED PROPERTY

Abandoned
property.
[35, 24 of 2024]

72.(1) The articles enumerated in subsection (2) of this section, held by a licensed commercial bank other than such articles so held by an offshore unit of a licensed commercial bank, shall be presumed to be abandoned if the owner has, within a period of ten years immediately after the date of deposit, or payment of funds towards the purchase of shares or other interests, or issuing of instruments, or the date upon which funds held in a fiduciary capacity became payable, or capable of being distributed, or the expiration of the period for which the safe deposit box was rented, as the case may be:

(a) not increased or decreased the amount of the deposit or funds or presented the pass book or other record for the crediting of interest or dividends in respect of the articles enumerated in paragraphs (a) and (b) of subsection (2) of this section;

(b) not increased or decreased the principal or accepted payment of principal or income in respect of funds held in a fiduciary capacity;

(c) not had any correspondence with the licensed commercial bank concerning such articles;

(d) not otherwise indicated an interest in the articles as evidenced by a memorandum concerning them by the licensed commercial bank,

(2) The following shall be the articles referred to in subsection (1):

(a) any general deposit (demand, savings or matured time deposit) made in Sri Lanka with that licensed commercial bank together with any interest or dividend thereon excluding any lawful charges;

(b) any funds paid in Sri Lanka towards the purchase of shares or other

interests in a licensed commercial bank together with any interest or dividend, excluding any lawful charges;

(c) any sum payable on cheques or on written instruments, on which the licensed commercial bank is directly liable;

(d) any intangible personal property and any income or interest thereon held in a fiduciary capacity for the benefit of another person;

(e) any contents of a safe deposit box upon which the rental period has expired and concerning which notice has been sent by registered post to the last known address of the lessee and to which the lessee has failed to respond within three years.

Abandoned property to be transferred to a special account.

73.(1) Any licensed commercial bank holding any abandoned property referred to in section 72, shall make a report to the Monetary Board in such form as the Monetary Board may determine stating the nature of the articles held and in the case of money, the amount of money.

(2) Notwithstanding anything in any other law, all monies included in the report shall, if the Monetary Board directs, be transferred by the licensed commercial bank to a special account in the Central Bank and may be utilised by the Monetary Board for such purposes as may be determined by the Monetary Board after consultation with the Minister.

(3) The articles included in the report that do not fall under subsection (2) shall be referred by the Monetary Board to the Minister for such action as he shall prescribe.

Publication of notice regarding abandoned property.

74. Within thirty days from the submission of the report required by subsection (1) of section 73, the licensed commercial bank shall publish a notice in the Sinhala, Tamil and English daily newspapers stating the name of the owner and particulars concerning the property and shall despatch, by registered post a notice to the owner to his last known address containing particulars concerning the property, provided that the Monetary Board may exempt the licensed commercial bank from the mailing of such notice upon the licensed commercial bank showing reasonable cause therefor.

Repayment by the Central Bank.

75.(1) Where any person furnishes proof to the satisfaction of the Monetary Board that moneys lying to the credit of an account which was in his name or in the name of a person from whom he derives title, have been transferred to a special account in the Central Bank under

section 73 shall, subject to such terms, conditions or restrictions as are imposed in respect of such money by or under any written law be entitled to the repayment of such moneys by the Central Bank together with the interest payable on such moneys upto the date of such repayment, in accordance with such rates and conditions as are applicable to the recount to the credit of which such money were lying before they were transferred to the special account in the Central Bank.

Failure to deliver property presumed to be abandoned to be an offence. 76. Any licensed commercial bank which fails to file the report or to pay or deliver property presumed to be abandoned as required by section 74 shall be guilty of an offence under this Act.

PART IXA
LICENSED SPECIALIZED BANKS
[31,33 of 1995]

Licensing of certain institutions. [24, 2 of 2005] [31, 33 of 1995] 76A. (1) From and after such date as may be determined by the Minister by Order published in the Gazette, the business of accepting deposits of money and investing and lending such money shall not be carried on except by a company which has an equity capital in an amount not less than fifty million rupees and under the authority of a licence issued by the Monetary Board for such purpose under this Part of this Act:

Provided however, the requirement to obtain a licence shall not apply in respect of a company under Finance Companies Act, No.78 of 1988, a Co-operative Society registered under the Co-operative Society registered under the Co-operative Societies Law, No.5 of 1972, a building society incorporated under the National Housing Act (chapter 401) and to a company licensed as a licensed commercial bank under the provisions of this Act and to any organization established or registered under any written law, not being an organization established primarily for the purpose of making profit, which accepts deposits only from its registered members and has obtained permission in writing from the Monetary Board to accept such deposits and to invest or lend the monies so accepted.

(2) Where such company is a company incorporated outside Sri Lanka, no licence shall be issued under this Part of this Act unless

such company has complied with the provisions of Part XIII of the Companies Act, No.17 of 1982.

(3) Notwithstanding the provisions of subsections (1) and (2) of this section and of section 76B, all institutions specified in Schedule III of this Act, shall be issued a licence in accordance with the provisions of this Part of this Act on or after the date determined by the Minister under subsection (1).

(4) Any company carrying on business in contravention of subsection (1), shall be guilty of an offence under this Act.

(5) For the purposes of this section 449 of the Companies Act. No, 17 of 1982 and includes a company duly incorporated outside Sri Lanka, or a body corporate formed in pursuance of any statute of any foreign country Royal Charter or letters patent and a body corporate establishment by or under any law and shall not include a private company incorporated outside Sri Lanka; and 'equity capital' shall have the same meaning as in subsection (2) of section 19 of this Act and for that purpose, the reference in that subsection to a licensed commercial bank shall be deemed to be a reference to a licensed specialised bank.

Application for
licence.
[25, 2 of 2005]
[31, 33 of 1995]

76B. The provisions of section 3 shall, mutatis mutandis, apply in respect of an application made for a licence under this Part as they apply in respect of an application made under Part I and for that purpose any reference to 'banking business' in that section shall be deemed to be a reference to the business of accepting deposits of money and investing and lending such money, and any reference to section 5 shall be deemed to be a reference to section 76C.

Issue of licence.
[26, 2 of 2005]
[31, 33 of 1995]

76C. The provisions of section 5 shall, mutatis mutandis, apply to the issue of a licence under this Part as they apply to the issue of a licence under Part I and for that purpose any reference to 'banking business' in that section shall be deemed to be a reference to the business of accepting deposits of money and investing and lending such money.

Forms of business
to be carried on by
a licensed
specialized bank
and payment of
annual licence fee.

76D. (1) Any company which has been issued with a licence under this part shall be referred to as a licensed specialised bank.

(2) A licensed specialised bank may carry on such forms of business as are specified in schedule IV of this Act subject to such restrictions expressly stipulated in the licence or as may be imposed by our under any written law.

[36, 24 of 2024]
[27, 2 of 2005]
[31, 33 of 1995]

- (3) Repealed by [§36, 24 of 2024]
- (4) A licensed specialised bank shall not carry on its business in any place other than that specified in the licence except with the prior written approval of the Monetary Board.
- (5) A licensed specialised bank carrying on business under the authority of a licence issued under this Part shall be deemed not to act in contravention of section 2 of the Finance Companies Act, No. 78 of 1988.
- (6) Every licensed specialised bank shall pay to the Central Bank an annual licence fee as may be determined by the Monetary Board and the Monetary Board may determine different licence fees for different categories of licensed specialised banks.

Register of
Specialised banks.
[31, 33 of 1995]

76E. The Monetary Board shall keep and maintain in the prescribed form a register of every institution licensed as a licensed specialized bank under this Part of this Act.

Cancellation of
licence of a
licensed
specialised bank.
[28, 2 of 2005]
[31, 33 of 1995]

76F.(1) The provisions of section 9 shall, mutatis mutandis, apply in respect of a licensed specialised bank as they apply in respect of a licensed commercial bank and for that purpose any reference therein to a licensed commercial bank shall be deemed to be a reference to a licensed specialised bank, and any reference therein to section 5 shall be deemed to be a reference to section 76c, and any reference therein to banking business shall be deemed to be a reference to the business of accepting deposits of money and investing and lending such money.

(2) Nothing contained in subsection (1) shall in any way affect the powers conferred on the Monetary Board or the Director of Bank Supervision by section 76M.

Equity capital to be
maintained by a
licensed
specialized bank.
[37, 24 of 2024]
[4, 15 of 2006]
[31, 33 of 1995]

76G.(1) Subject to the provisions of subsection (3), every licensed specialized bank shall at all times maintain an equity capital in an amount not less than fifty million rupees or such other amount as the Central Bank may, from time to time determine, having regard to the viability and stability of the banking system and the interest of the national economy.

(2) For the purpose of this section 'equity capital' shall have the same meaning as is assigned to it in subsection (2) of section 19.

(3)

(a) The Monetary Board may, vary from time to time the amounts specified as the minimum amounts required to be maintained by a licensed specialized bank as equity capital under subsection (1) of this section, having regard to -

(i) the deposit liabilities or to the total liabilities including contingent liabilities or to the total assets or to any specified category of assets, of a licensed specialized bank; or

(ii) the viability and stability of the banking system and the interest of the national economy.

(b) For the purpose of computing the minimum required equity capital, when such amount is prescribed with reference to liabilities or assets both capital and liabilities or assets shall be of such kind and computed in such manner as the Monetary Board may from time to time determine having regard to the interest of national economy.

(c) The Monetary Board shall, in writing, communicate to all licensed specialized banks any variation made by it in respect of the equity capital required to be maintained by a licensed specialized bank.

(d) Where any licensed specialized bank is required by such variation to augment its equity capital, it shall upon application to the Monetary Board, be afforded a period of twelve months, or such longer period as may be granted by the Monetary Board, in which to comply with that requirement.

(4) In the case of licensed specialized bank incorporated or established in Sri Lanka by or under any written law, the limit of foreign participation in the capital of such bank, shall at no time exceed the limit, established from time to time, by the Monetary Board.

(5) A licensed specialized bank shall not reduce its equity capital without the prior written approval of the Monetary Board.

(6) A licensed specialized bank shall not create any charge upon any unpaid capital of such bank and any such charge created in contravention of these provisions shall be null and void.

(7)

(a) Every licensed specialized bank shall at all times maintain a capital adequacy ratio as may be determined by the Monetary Board,

which shall in determining such ratio to be maintained, as far as practicable adopt the guidelines for capital adequacy set out by Bank for International Settlements in Basle.

(b) Any variation in the capital adequacy ratio referred to in paragraph (a) shall be communicated to every licensed specialized bank by the Monetary Board in writing, provided that every licensed specialized bank which is required by such variation to augment its capital, shall be afforded a period of twelve months or such longer period as may be granted by the Monetary Board, in which to comply with such requirement.

(8) Where the equity capital or capital funds of a licensed specialized bank have become deficient in terms of the provisions of the preceding subsections, the Monetary Board may, grant a reasonable period of time for the rectification of such deficiency.

Part V and Part VI 76H.

to apply to a
licensed
specialised bank.
[38, 24 of 2024]
[29, 2 of 2005]
[31, 33 of 1995]

The provisions of section 21, Part V and Part VI of this Act shall, mutatis mutandis, apply to a licensed specialised bank as they apply to a licensed commercial bank.

Directions of the
Monetary Board.
[39, 24 of 2024]
[6, 15 of 2005]
[31, 33 of 1995]

76J. (1) Notwithstanding the provisions any other law the Monetary Board may give directions to licensed specialised banks or to any category of licensed specialised banks considering the asset size, scale, diversity and complexity of operations of such banks or for reasons to be stated in writing to any one or more of them, regarding the manner in which any aspect of the business of such banks is to be conducted and in particular -

(a) the maintenance of capital adequacy duties by the licensed specialised banks of such amounts as may be determined by the Monetary Board;

(b) the maintenance of the reserve fund of a licensed specialised bank including to reduction or impairment;

(c) the terms and conditions under which deposits may be accepted, the maximum rates of interest payable on such deposits, and the maximum periods for which deposits may be accepted and the maximum amount which may be deposited with a licensed specialized bank in the name of one person in one or more accounts;

(d) the terms and conditions under which any loan, credit facility or any type of accommodation may be granted by such banks, the maximum rates of interest that may be charged on such loans, credit facilities or other types of accommodation, and the maximum periods for which any such loan, credit facility or other type of accommodation may be granted;

(e) the maximum rates which may be paid to, or charged by, such banks by way of commissions, discounts, fees or other receipts or payments whatsoever;

(f) the minimum initial payment a prospective hirer should make on any hire purchase agreement and specific different classes of transactions; such minimum initial payment may be expressed as a percentage of the value of the goods hired under such agreement;

(g) the terms and conditions under which investments may be made by such banks;

(h) the maximum permissible maturities for loans, credit facilities or other types of accommodation and investments made by such banks, and the nature and amount of the security that may be required permitted for various types of lending, credit and investment operations;

(i) the form and manner in which books of accounts or other records or documents are to be maintained by such banks;

(j) the exclusion from the income of licensed specialised banks in whole or in part, unpaid interest in respect of loans granted, if such loans have become overdue;

(k) Repealed by [§39, 24 of 2024];

(l) the maintenance of cash balances by licensed specialised banks with the Central Bank if so required by the Monetary Board, and the minimum ratio such cash balances should bear to the deposit liabilities of licensed specialised banks;

(m) conditions which should be applicable to withdrawal by depositors of deposits before maturity;

(n) prohibiting such banks from increasing the amount of their loans, credit facilities, other types of accommodation or investments;

(o) fixing limits to the rate at which the amount of any loans, investments or accommodation made or granted by them may be

increased within specified periods;

(p) requiring the decrease of the amount of their loans, investments or accommodation to specified limits within a specified period;

(q) the maximum percentage of the share capital in a licensed specialised bank which may be held-

(i) by a company, an incorporated body, or an individual;

(ii) in the aggregate by-

(a) a company and one or more of the following:-

(aa) its subsidiary companies;

(bb) its holding company;

(cc) a subsidiary company of its holding company;

(dd) a company in which such company or its subsidiary company, or its holding company, or a subsidiary company of its holding company has a substantial interest; or

(b) an individual and one or more of the following:-

(aa) his close relation;

(bb) a company in which he has a substantial interest or in which his close relation has a substantial interest;

(cc) the subsidiary company of such company;

(dd) a holding company of such company;

(ee) a subsidiary company of such company's holding company;

(ff) company in which such company or its holding company has a substantial interest; or

(gg) an incorporated body other than a company in which such individual or his close relation has a substantial interest.

(hh) Repealed

Provided, however that a direction given under this paragraph shall not require [6, 15 of 2006] [30, 2 of 2005] the reduction of the shares of a person held in a licensed specialised bank on the date of commencement of this Part of this Act. otherwise than on a requirement imposed on such bank under the provisions of paragraph (d) of subsection (1) of section 76k or on a shareholder under the provisions of paragraph (d) of subsection (1) of section 76N;

(c) companies in each of which an individual or a company as the case may be, has either directly, indirectly or beneficially a substantial interest or significant management interest;

(r) the margins to be maintained in respect of secured advances;

(s) the terms and conditions relating to leasing agreements between the licensed specialised bank and a lessee;

(t) restriction on the types of activities that may be carried on by licensed specialised banks.

(u) the limit of foreign participation in the capital of a licensed specialised bank incorporated or established in Sri Lanka.

(2) The maximum rates of interest fixed by any direction under paragraphs (c) and (d) of subsection (1) shall, if so determined by the Monetary Board, apply in respect of any deposit accepted or in respect of any loan, credit facility or any other financial accommodation granted, before the date of such direction:

Provided, however, that nothing in such direction shall-

(a) apply to any interest accrued before the date of such direction in respect of any such deposit or loan, credit facility or other financial accommodation; or

(b) require the reduction of the rate of interest payable on any deposit accepted, or loans credit facility, or financial accommodation granted before the date of such direction, if such reduction would constitute a breach of the contract or agreement relating to such deposit, loan, credit facility or other financial accommodation, as the case may be.

(3) For the purposes of this Part of the Act, the Monetary Board may give directions where necessary to any particular licensed specialised bank in particular on such matters as are specified in subsection (1).

(4) The Monetary Board may in its discretion pay interest on any cash balance maintained by a licensed specialised bank in the Central Bank in pursuance of a direction issued to it under paragraph (I) of subsection (1) at such rate as may be determined by the Monetary

Board.

(5) A licensed specialised bank which fails to act in compliance with a direction issued under this section or acts in contravention of such direction shall be guilty of an offence under this Act.

Procedure where
licensed
specialized banks
follow unsafe
practices.
[40, 24 of 2024]
[31, 2 of 2005]
[31, 33 of 1995]

76K.

The provisions of sections 45, 47, 48A, 49 and 49A shall, mutatis mutandis, apply in respect of licensed specialised banks as they apply in respect of licensed commercial banks and for that purpose any reference therein to a licensed commercial bank shall be deemed to be a reference to a licensed specialised bank.

Power of Director
of Bank
Supervision to
examine books and
accounts of
licensed specialized
bank. [31, 33 of
1995]

76L.

(1) The Director of Bank Supervision may at any time, examine or authorize any officer of his department to examine, the books and accounts of any licensed specialised bank.

(2) The report on any such examination shall be furnished to the Governor of the Central Bank by the Director of Bank Supervision as soon as such examination is completed. The Director of Bank Supervision may recover the costs of such examination from the licensed specialised bank.

(3) It shall be lawful for the Director Bank Supervision or any officer authorized by him-

(a) to administer, in accordance with the Oaths Ordinance, oaths or affirmation to any director, manager, secretary, employee or auditor of any licensed specialised bank;

(b) to require any director, manager secretary, employee or auditor of any licensed specialised bank to furnish all such information relating to the affairs of the bank, as the Director of Bank Supervision or any officer authorized by him may consider necessary to ascertain, for the purpose of this Part of this Act.

(c) to require any director, manager. secretary, employee or auditor of any licensed specialised bank tea produce for inspection any boon. records or document relating to the affairs of the bank, in his possession or custody, which is likely to contain any such information;

(d) in any case where there is evidence of mismanagement by a licensed specialised bank, to require any director, manager or secretary of such bank to submit the accounts of the bank for audit by an auditor authorized by the Director of Bank Supervision and to require the bank to furnish such information or produce such books, records or documents and to pay such fees, as may be specified or authorized by the Director of Bank Supervision to such auditor.

(4) It shall be the duty of every director, manager, secretary, employee or any auditor of any licensed specialised bank to comply with any requirement imposed on him under this section and to afford to the Director of Bank Supervision or to any officer authorized by him or to any auditor authorized by him under paragraph (d) of subsection (3), access to all books and records of that licensed specialised bank including its cash balances, assets and liabilities whenever requested to do so by the Director of Bank Supervision.

(5) The Director of Bank Supervision may, where he considers it necessary to ascertain the true condition of the affairs of a licensed specialised bank and to ascertain whether such bank is carrying on business in a manner detrimental to its present or future depositors, by notice in writing require any person whom he considers to have information relating to the licensed specialised bank, to furnish such information to him or to any officer authorized by him or to any auditor authorized by him under paragraph (d) of subsection (3) or to attend in person before him or any officer authorized by him at such place and at such date and time as may be specified in such notice, so that the person may be examined on such matters as may be specified in such notice.

(6) For the purpose of ascertaining the true condition of the affairs of the licensed specialised bank, the Director of Bank Supervision may if he thinks it necessary for the purpose of an examination under subsection (5), also examine the business of any company which is or has at any relevant time been-

(a) a holding company or subsidiary company of the licensed specialised bank under examination;

(b) a subsidiary company of a holding company of the licensed specialised bank;

(c) an associate company of that licensed specialised bank,

and may exercise in relation to any such company, any of the powers conferred on him by the preceding provisions of this section.

In this subsection 'associate company' when used in relation to a licensed specialised bank, means a company in which the licensed specialised bank holds ordinary shares equivalent to twenty per centum or more but less than fifty per centum of the paid up share capital of the company.

(7) Any person who falls to comply with any requirement imposed on him by the Director of Bank Supervision under subsections (5) or (6) shall be guilty of an offence under his Act.

Winding up or
dissolution.
[41, 24 of 2024]
[2, 46 of 2006]
[32, 2 of 2005]
[31, 33 of 1995]

76M. (1) In any case where the Director of Bank Supervision is satisfied after examination by him self or by any officer authorised by him, of the affairs of a licensed specialised bank, or upon information received from the bank' that it is insolvent or is likely to become unable to meet the demands of its depositors or that its continuance in business is likely to involve loss to its depositors or creditors, the Director of Bank Supervision shall make a report accordingly to the Governor of the Central Bank for submission to the Monetary Board; and if such Board, upon review of the facts and circumstances, is of opinion that action should be taken as hereinafter provided, the Monetary Board may make an order directing the bank forthwith to suspend business and direct the Director of Bank Supervision to take all measures as may be necessary to prevent the continuation of business by such bank. Any person who obstructs the Director of Bank Supervision from taking such measures to prevent the continuation of business by the company shall be guilty of an offence under this Act.

(2) Notwithstanding anything in any other law, no action or proceeding may be instituted in any court for the purpose of securing the review or revocation of any order made in good faith under subsection (1) or in respect of any loss or damage incurred, or likely or alleged to be incurred by reason of such order.

(3) An order made by the Monetary Board under subsection (1) in respect of any licensed specialised bank shall cease to have effect upon the expiration of a period of six months from the date on which it is made and it shall be the duty of the Monetary Board as soon as practicable and in any event before the expiration of such period-

(a) to make an order permitting the bank to resume business, either

unconditionally or subject to such condition, as the Monetary Board may consider necessary in the public interest; of in the interest of the depositors and other creditors of the bank; or.

(b) by the repeal of paragraph (b) thereof and the substitution therefor of the following paragraph:-

'(b) to cancel the licence issued to such licensed specialised bank and
-

(i) where the bank is incorporated or established within Sri Lanka by or under any written law, proceedings for the winding up of the bank shall commence under the provisions of any written law for the time being in force, which specifically provides for the winding up of the licensed commercial banks and licensed specialised banks in Sri Lanka.

(A) proceedings for the compulsory winding up of the Bank shall commence and the provisions of Part VIII shall, mutatis mutandis apply to and in relation to, such winding up; or

(B) the Monetary Board may, notwithstanding the provisions of any other written law to the contrary, in the interest of the depositors and having regard to the necessity of ensuring the stability of the financial sector, in respect of any bank whose licence has been cancelled at any time prior to the coming into operation of this subparagraph, vest the business carried on by such Bank (hereinafter referred to as 'the defaulting bank') being business which such bank was authorized to carry on by or under this Act, or such part thereof as the Monetary Board may determine, in a State Bank (hereinafter referred to as 'the acquiring bank') as the case may be, which consents to such vesting. The Board shall cause such vesting to be notified to both the defaulting bank as well as the acquiring bank:

Provided however, it shall be lawful for the Monetary Board, which had within the said period of six months commenced proceedings for the winding up of a defaulting bank, to subsequently vest in the manner aforesaid, the business or part thereof, of such bank in a State Bank:

Provided further, where the license of a licensed specialized bank has, at any time prior to the coming into operation of this sub-paragraph, been cancelled in terms of section 30 (10) (b) (i) of the Monetary Law Act, the provisions of this sub-paragraph shall mutatis mutandis apply thereto.

For the purpose of sub-paragraph (B)-

'State Bank' means any licensed commercial bank or licensed specialised bank within the meaning of the Banking Act, No. 30 of 1988, having a share capital of which the majority is owned by the Government, or of which the majority of the members of the Board of Directors is appointed by the Government.'; and

(ii) where the bank is incorporated outside Sri Lanka, the business of such bank authorized under the licence issued under section 76A shall be closed down and its affairs shall be wound up under the provisions of any written law for the time being in force, which specifically provides for the winding up of the licensed commercial banks and licensed specialised banks in Sri Lanka.

(3A) To (3G) Repealed by [41, 24 of 2024]

(4) A licensed specialised bank incorporated or established within Sri Lanka may be voluntarily wound up and the provisions of Part VIII shall, mutatis mutandis, apply to such voluntary winding up.

(5) A licensed specialised bank incorporated outside Sri Lanka may voluntarily close down its business authorised under the licence issued under section 76A and the provisions of Part VIII shall, mutatis mutandis, apply to such closure.

Power of Director of Bank Supervision to **76N.** (1) Notwithstanding the provision of this Act or of any other written law to that contrary or the Memorandum and Article of Association of a licensed specialised bank the Monetary Board may, Where the

issue directions in respect of connected matters. [33, 2 of 2005] [31, 33 of 1995]

business of a licensed specialised bank has been suspended under subsection (1) of section 76(M);

- (a) make such arrangements as it considers necessary for the amalgamation of the licensed specialised bank with another licensed specialized bank or any other institution, with the consent of such other specialised bank or institution;
 - (b) re-organise such licensed specialised bank by increasing its capital and arranging for new shareholders and by reconstituting, its board of directors; or
 - (c) re-construct the licensed specialized bank in any such manner as it considers to be in the interest of depositors, including the closing down of unviable sections of the business and re-organising the management.
 - (d) direct any shareholder of any licensed specialised bank to divest or transfer the ownership of the shares owned by him, to a person nominated by the Monetary Board, on payment by such person of compensation determined as follows:-
 - (i) where such shares are quoted, at the market value thereof; or
 - (ii) where such shares are not quoted, at a price to be determined By a valuer nominated by the Monetary Board.
- (2) A shareholder who fails to comply with a direction given to him under paragraph (3) of subsection (1) shall be guilty of an offence.

PART X GENERAL

Declaration of secrecy. [34, 2 of 2005]

- 77.(1) Every director, manager, officer or other person employed in the business of any licensed commercial bank or licensed specialised bank shall observe strict secrecy in respect of all transactions of the bank, its customers and the state of accounts of any person and all matters relating thereto and shall not reveal any such matter except-
- (a) when required to do so -
 - (i) by a court of law;
 - (ii) by the person to whom such matter relates;
 - (b) in the performance of the duties of the director, manager, officer or

other person; or

(c) in order to comply with any of the provisions of this Act or any other written law.

(2) Every director, manager, officer or person employed in the business of a licensed commercial bank or licensed specialised bank shall before entering upon the duties, sign a declaration pledging himself to observe strict secrecy in accordance with subsection (1).

(3) The provisions of subsections (1) and (2) shall not prohibit a bank from providing in good faith to another bank on request an opinion or reference relating to a customer in accordance with customary banking practice.

Protection for
action this Act or
on the directions of
the Monetary
Board.

[35, 2 of 2005]
[33, 33 of 1995]

78. No suit or prosecution shall be against the Monetary Board or any member of the Monetary Board or any officer or servant of the Central Bank for any act which in good faith is done or purported to be done by the Monetary Board or by any officer or servant of the Central Bank under this Act; or against any director, officer or employee of any licensed commercial bank or licensed specialised bank for any act which in good faith is done or purported to be done by him under this Act or on the direction of the Monetary Board.

Offences.

[42, 24 of 2024]
[36, 2 of 2005]

79.(1) Any person who commits an offence under subsection (5) of section 2, subsection (11) of section 3, subsection (3) of section 14, subsection (3) of section 41 or subsection (12) of section 47 of this Act, shall be liable on conviction after summary trial before a Magistrate to a fine not exceeding one million rupees or imprisonment of either description for a term not exceeding three years or to both such fine and imprisonment.

(2) Any person who contravenes the provisions of subsections (1) and (2) of section 16, subsection (1) of section 17 or section 77 shall be guilty of an offence under this Act and shall be liable on conviction after summary trial before a Magistrate to a fine not exceeding one million rupees or to imprisonment of either description for a term not exceeding three years or to both such fine and imprisonment.

(3) Any person who commits an offence under this Act other than an offence referred to in subsection (1) or subsection (2) above, shall be liable on conviction after summary trial before a Magistrate, unless where the punishment is otherwise provided for in this Act, to a fine not exceeding five hundred thousand rupees or to imprisonment of

either description for a term not exceeding eighteen months or to both such fine and imprisonment.

(4) Any person who contravenes any provision of this Act or any order, direction, requirement, rule or regulation under this Act, other than those specified in subsection (2) or those that otherwise constitute an offence, shall be guilty of an offence under this Act, and shall be liable on conviction after summary trial before a Magistrate to a fine not exceeding five hundred thousand rupees or to imprisonment of either description for a term not exceeding eighteen months or to both such fine and imprisonment.

(5) In any proceedings against any person under subsection (2) for contravention of the provisions of section 77, it shall be a defence to prove that such person acted in good faith, believing himself to be acting in the performance of his duties or under a requirement of law.

(6) In any proceedings against a director, manager, officer or an employee of a licensed commercial bank or a licensed specialised bank for an offence under this Act it shall be a defence for the director, manager, officer or employee to establish that the offence was committed without the knowledge of such director, manager, officer or employee or that such director, manager, officer or employee exercised all due diligence to avoid the commission of the offence.

Compounding of offences.

[37, 2 of 2005]

[34, 33 of 1995]

79A. (1) The Director of Bank Supervision may with the approval of the Monetary Board and having regard to the circumstances in which an offence under this Act was committed, compound such offence for a sum of money not exceeding one million rupees.

(2) The compounding of any offence under this section shall have the effect of an acquittal of the accused.

Central Bank to impose administrative fine

[43, 24 of 2024]

79B. (1) Without prejudice to any of the provisions of this Act or any other written law for the time being in force, it shall be lawful for the Central Bank, after affording an opportunity of being heard, to impose an administrative fine on any person who contravenes the provisions of subsections (1C), (3) and (4) of section 12, section 19, section 21, subsection (1) of section 38 or paragraph (c) of subsection (1) of section 46 of this Act.

(2) The Central Bank shall, in determining to impose an administrative fine, take into consideration-

(a) the gravity of such contravention;

- (b) whether there is any recurrence of such contravention;
 - (c) whether any loss or damage is caused to the depositors or any other person consequent of such contravention;
 - (d) whether the person against whom a fine is to be imposed is unduly benefitted from such contravention;
 - (e) the financial resources of such person;
 - (f) any mitigating factors; and
 - (g) such other matters as it considers to be relevant.
- (3) The Central Bank shall determine the procedure and manner for imposing an administrative fine on a person under subsection (1) and the amount of such fine, in proportion to the contravention so committed.

Persona who fail to take reasonable steps c. under the Act to be guilty of an offence. [35, 33 of 1995]

80. (1) Any person who, being a director, manager, officer or employee of a licensed commercial bank or licensed specialized bank as the case may be

- (a) fails to take all reasonable steps to secure compliance by the licensed commercial bank with the requirements of that Act; or
- (b) fails to comply with any direction issued by the Monetary Board under the provisions of this Act;
- (c) fails to take all reasonable steps to secure the correctness of any statement submitted under the provisions of this Act;
- (d) willfully makes a false entry or causes such an entry to be made in any book or record or in any report, slip, document, or statement of the business, affairs, transactions, conditions, assets or liabilities or accounts of such licensed commercial bank; or
- (e) willfully omits to make an entry in any book or record in any report, slip, document or statement of the business, affairs, transactions, conditions, assets or liabilities or accounts of such licensed commercial bank or willfully causes any such entry to be omitted; or
- (f) willfully alters abstracts, conceals or destroys an entry in any book or record or in any report, slip, document, or statement of the business, affairs, transactions, conditions, assets or liabilities or accounts of such licensed commercial bank or willfully causes any such entry to be altered, abstracted, concealed or destroyed, shall be guilty of an

offence under this Act, and shall, on conviction after summary trial by a Magistrate, be liable to a term of imprisonment for a term not exceeding eighteen months or to a fine not exceeding one thousand rupees or to both such imprisonment and fine.

(2) In any proceedings against a person under subsection (1) it shall be a defence to prove that he had reasonable grounds to believe that another person was charged with the duty of securing compliance with the requirements of this Act or with the duty of ensuring that these statements were accurate and that such person was competent and in a position to discharge that duty.

Offence by a body corporate. 81. Where an offence under this Act is committed by a body corporate, every person, who at the time of the commission, of the offence was a director or an officer of the body corporate, shall be deemed to be guilty of that offence unless he proves that the offence was committed without his knowledge, or that he exercised all due diligence to avoid the commission of such offence.

Schedules II and IV to be amended by resolution.
[36, 33 of 1995] 81A. Parliament shall have power by resolution passed in that behalf to amend Schedules II and IV to this Act.

Regulations 82.(1) The Minister may make regulations in respect of matters required by this Act to be prescribed or in respect of which regulations are authorized to be made.

(2) Every regulation made by the Minister shall be published in the Gazette and shall come into operation on the date of such publication or on such later date as may be specified in the regulation.

(3) Every regulation made by the Minister shall, as soon as is convenient after its publication in the Gazette, be brought before Parliament for approval-

(4) Every regulation which is not so approved shall be deemed to be rescinded as from the date of such disapproval but without prejudice to anything previously done there under. Notification of the date on which any regulation is deemed to be rescinded shall be published in the Gazette.

This Act to prevail 82A. In the event of any conflict or inconsistency between the provisions

over other laws.
[37, 33 of 1995]

of this Act and the provisions of any other written law, the provisions of this Act shall prevail.

Licensed
Commercial bank
deemed to be an
approved credit
agency.

83.A licensed commercial bank which is granted a licence in terms of section 5 shall be deemed to be

- (i) an approved credit agency for purposes of the Trust Receipt Ordinance (Chapter 85) and the Mortgage Act (Chapter 89);
- (ii) an 'approved bank' for purposes of the Finance Act, No. 65 of 1961.

Pawn Brokers
Ordinance not to
apply.
[44, 24 of 2024]
[38, 33 of 1995]

83A. The provisions of the Pawn Brokers Ordinance (Chapter 99) shall not apply to a licensed commercial bank, licensed specialised bank and such bank may carry on the business of pawn broker subject to such conditions as may be determined by the Monetary Board.

Commercial bank
deemed to be an
exempted
company.
[38, 33 of 1995]

83B. A company incorporated outside Sri Lanka which has been issued a licence under section 5 of this Act as a licensed commercial bank, shall with, effect from the date of issue of such licence, be deemed to be an exempted company for the purposes of the Companies (Special Provisions) Law, No. 19 of 1974.

Prohibition on
conduct of certain
Schemes.
[38, 2 of 2005]

83C. (1) No person shall directly or indirectly initiate, offer, promote, advertise, conduct, finance, manage or direct a Scheme where a participant is required to contribute or pay money or monetary value and the benefits earned by the participant are largely dependent on-

- (a) increase in the number of participants in the Scheme; or

- (b) increase in the contributions made by the participants in the Scheme.

For the purpose of this subsection -

money means a monetary unit or a medium of exchange that is issued, established, authorized or adopted by Sri Lanka or a foreign government; and

'monetary value' means a medium of exchange whether or not redeemable in money, including in the form of stored value, payment instrument or credit to account and shall also include gold coin and

gold bullion.'

(2) Any person who contravenes the provisions of subsection (1) shall be guilty of an offence and shall be liable on conviction after summary trial before a Magistrate to imprisonment of either description for a term not exceeding three years or to a fine not exceeding rupees one million or to both such imprisonment and fine. Where the offence is committed wilfully or knowingly, or with knowledge that the act will cause damage or harm to any other person, to rigorous imprisonment for a term not less than three years and not more than five years and to a fine of rupees two million or twice the aggregate amount in Sri Lanka currency revealed or divulged to have been received from the participants in the Scheme, whichever is higher.

(3) An officer of the Central Bank authorized in that behalf by the Governor, may, where information has been received that there has been or is likely to be a contravention of the provisions of subsection (1), conduct an investigation into such matter. In carrying out his duties under this section the authorised officer may-

(a) enter and search any premises where he has reason to believe that any acts relating to the commission of the offence specified in subsection (1) are being committed or any books or other records or documents relating to such acts are kept or maintained at such place;

(b) call for further information or documents;

(c) examine any documents, books or records, including records maintained in electronic form or computer generated transcripts;

(d) obtain copies of any documents, books or records or computer generated transcripts or any part thereof,

for the purpose of ascertaining whether any person has contravened or is likely to contravene the provisions of subsection (1).

(4) Any person who obstructs or resists the authorised officer in the exercise of his powers under this section, shall be guilty of an offence under this Act.

(5) Any person who fails to furnish any information within his knowledge, or any book or other record or documents or computer generated transcripts relating to such acts which are in his custody or possession, shall be guilty of an offence under this Act.

(6) In any prosecution for an offence under this section, the extracts from any books or other record or documents or computer generated transcripts relating to such acts shall be admissible in evidence and shall be prima facie evidence of the facts stated therein.

(7) The Central Bank shall provide any information, documents, books, records or computer generated transcripts obtained in the course of an investigation conducted under subsection (3) to the law enforcement authorities and shall co-operate with such authorities in the prosecution of a person for violation of the provisions of subsection (1).

(8) Upon an application made to it by an officer of the Police above the rank of an Inspector of Police and upon satisfying itself that a prima facie case exists against a person for the violation of the provisions of subsection (1), the High Court of the Western Province established under Article 154P of the Constitution holder in Colombo shall issue an ex parte Order against the offender prohibiting him from engaging in any act specified in subsection (1).

(9) The High Court may, upon application made in that behalf by the person on whom an order under subsection (8) has been made or by any other person adversely affected by such order, and upon hearing all parties as it may consider necessary, make order revoking the order made by it under subsection (8), or permit any act prohibited

under subsection (8) conditionally or unconditionally, if it is satisfied that such revocation or permission is necessary to avoid undue damage to legitimate business or the legitimate interests of the applicant.'

Delegation of its powers, duties and functions by the Central Bank
[45, 24 of 2024]

83D. The Central Bank may, if it considers necessary, delegate any of its powers, duties and functions under this Act to the Governor, Deputy Governor, Assistant Governor, Director of Bank Supervision or any other officer of the Central Bank who shall not be below the rank of a Head of the Department, or any committee consisting of such officers of the Central Bank, as the case may be, to carry on any such powers, duties and functions under this Act.

Central Bank to inform any person to furnish any information & c.
[45, 24 of 2024]

83E. (1) The Central Bank may, by notice in writing, inform any person other than a licensed commercial bank, a licensed specialised bank, a director, Chief Executive Officer or an officer performing executive functions of such bank, to furnish, within such period as specified in the notice, any information or produce any document as specified in such notice and as the Central Bank may consider necessary for the exercise, performance and discharge of the powers, duties and functions under this Act.

(2) Notwithstanding anything to the contrary in any other written law, it shall be the duty of any person who receives a notice under subsection (1) to comply with the requirements of such notice within the period specified therein.

PART XI REPEAL

Amendment to the Monetary Law Act (Cap.422).

84. The Monetary Law Act, (Chapter 422) is hereby amended by the repeal of sections 118A, 121A and 121B of that Act.

Amendment to the Companies Act, No.17 of 1982.

85. The Companies Act, No. 17 of 1982 is hereby amended by the repeal of Part XIV of that Act.

PART XII
INTERPRETATION

Interpretation.
[46, 24 of 2024]
[40, 2 of 2005]
[39, 33 of 1995]

86. In this Act, unless the context otherwise requires

'accommodation' means any loan, overdraft or advance or such other facility as may be determined by the Monetary Board or any commitment to grant any loan, overdraft or advance or such other facility as may be determined by the Monetary Board, including a commitment to accept a contingent liability;

'Auditor General' means the Auditor General appointed under Article 153 of the Constitution;

'banking business' means the business of receiving funds from the public through the acceptance of money deposits payable upon demand by cheque, draft, order or otherwise, and the use of such funds either in whole or in part for advances, investments or any other operation either authorized by law or by customary banking practices;

'beneficial owner' means a natural person who ultimately owns or controls ten per centum or more of a company, in whole or in part, through direct or indirect ownership or control of shares or voting rights or other ownership interest in that company, and also includes a natural person who exercises effective control through other means, and beneficial ownership is to be construed accordingly;

'Board of Directors of a branch of a licensed commercial bank incorporated outside Sri Lanka' means the Head Office or Regional Office of such licensed commercial bank that supervises the respective branch or a management committee for which powers on overseeing the management have been delegated by such Head Office or the Regional Office, as the case may be, to act as the Board of Directors of such branch;

'capital funds' means

(a) in the case of a licensed commercial bank: the equity capital and the reserve fund as provided for in section 20 and includes reserves other than funds reserved for a specified purpose; and

(b) in the case of a licensed specialised bank, the equity capital and the reserve fund maintained pursuant to directions under subsection (1) of section 76J and includes reserves other than funds reserved for specified purposes;

'Central Bank' means the Central Bank of Sri Lanka established under the Monetary Law Act, (Chapter 422);

'close relation' means spouse or dependant child;

'company' means a company formed and registered under the Companies Act, No. 17 of 1982 and any other body incorporated within or outside Sri Lanka;

'concern' means a company or firm;

'control relationship' means the ability of one borrower of a licensed commercial bank to influence over the activities of other borrowers of such bank;

'designated foreign currency' means a foreign currency determined as a designated foreign currency by the Monetary Board;

'director' means

(a) in relation to a licensed commercial bank incorporated in Sri Lanka,

any person by whatever designation he may be called, carrying out or empowered to carry out substantially the same functions in relation to the direction of the licensed commercial bank as those carried out by a director of a company incorporated under the Companies Act;

(b) in relation to a licensed commercial bank incorporated outside Sri Lanka, any person by whatever designation he may be called carrying out or empowered to carry out substantially the same functions in relation to the direction of the licensed commercial bank as those carried out by a director of a company incorporated under the Companies Act and the person in Sri Lanka responsible for carrying out the functions of such licensed commercial bank who shall be designated the principal authorized agent or his alternate;

'Director of Bank Supervision' means an employee of the Central Bank who is the head of the department of the Central Bank which is entrusted with the regulation and supervision of the licensed commercial banks and licensed specialised banks in Sri Lanka;

'deposit' includes a sum of money accepted from any person as a business on terms under which it will be repaid with or without interest or a premium, and either on demand or at a future time or in circumstances agreed to by or on behalf of the person making the payment and the person accepting it, provided that the persons accepting the money is a person who in the usual course of business, lends money or makes available the use or the benefit of the money so accepted to third parties and, also includes any sum of money accepted as provided in paragraph (y) of Schedule II and paragraph (nn) of Schedule IV;

'economic interdependence' means the dependence of one borrower of a licensed commercial bank on a business of any other borrower of such bank where it is likely that the financial difficulties of the latter may impair the repayment capacity of the first mentioned borrower;

'engagement partner' means the partner or other person in the audit firm who is responsible for the audit engagement and its performance, and for the auditor's report that is issued on behalf of the audit firm, and who, where required, has the appropriate authority from a professional, legal or regulatory body;

'exposures' means accommodation and all financial investments;

'head office of a commercial bank' means the place where the office of the Board of directors of the commercial bank is located;

'international standards' means the standards that comprise of principles, guidelines, processes, or characteristics, that have been developed through the consensus of experts from many countries and published by a globally recognized institution including the Basel Committee on Banking Supervision, the Financial Stability Board and such other similar standard setting institution;

'Finance Company' means a company registered under the provisions of the Finance Companies act, No. 78 of 1988, as a Finance Company;

'liquid assets' means

(a) cash;

(b) balances with licensed commercial banks;

(c) money at call in Sri Lanka;

(d) treasury bills and securities issued or guaranteed by the Government of Sri Lanka which have a maturity not exceeding one year;

(e) goods receipts;

(f) import and export bills;

(g) such other assets as may be determined by the Monetary Board;

'local Authority' means any Municipal Council, Urban Council or any Development Council and includes any Authority created and established by or under any law to exercise, perform and discharge, powers, duties, and functions corresponding to or similar to the powers, duties and functions, exercised, performed and discharged by any such Council;

'Minister' means the Minister assigned the subject of Finance in terms of Article 44 or 45 of the Constitution;

'Monetary Board' means the Monetary Board of the Central Bank of Sri Lanka established under the Monetary Law Act, (Chapter 422);

'non-financial subsidiary' means a subsidiary of a licensed commercial bank or a licensed specialised bank which carries out the business other than the business of a 'financial sector participant' as defined in the Central Bank of Sri Lanka Act, No.16 of 2023;

'non-resident' means an individual company, body corporate or other judicial person or any unincorporated body not included in the definition of 'resident';

'offshore banking business' means the provision of banking business by a licensed commercial bank in any designated foreign currency to non-residents, and to certain residents as may be determined by the Central Bank, from time to time;

'physical presence' means meaningful mind and management located within a country and does not include simple or mere existence of a local agent or low-level staff of such country;

'place of business' means any branch or office of a licensed commercial bank in Sri Lanka including a mobile office open to the public;

'shareholder' shall have the same meaning as given in the Companies Act, No. 07 of 2007;

'shell bank' means a bank that has no physical presence in the country in which it is incorporated and licensed, and which is unaffiliated with a financial group that is subject to effective consolidated supervision;

'public corporation' means any corporation, board or other body which was or is established by or under any written law other than the Companies Ordinance, with funds or capital wholly or partly provided by the Government by way of grant, loan or otherwise;

'qualified auditor' means

(a) an individual who, being a member of the Institute of Chartered Accountants of Sri Lanka, or of any other Institute established by law, possesses a certificate to practice as an Accountant, issued by the Council of such Institute;

(b) a firm of Accountants each of the resident partners of which, being a member of the Institute of Chartered Accountants of Sri Lanka or of any other Institute established by law, possesses a certificate to practice as an Accountant issued by the Council of such Institute;

'resident' means

(a) a citizen of Sri Lanka residing in Sri Lanka;

(b) an individual who is not a citizen of Sri Lanka but who has been, in Sri Lanka for at least six months and continues or intends to be in Sri Lanka;

(c) a company incorporated in Sri Lanka, or a body corporate established under any written law or any firm, partnership or other organization in Sri Lanka;

(d) a branch subsidiary, affiliate, extension, office or any other unit of a company or other judicial person established under the laws of any foreign country, operating in Sri Lanka;

'substantial interest' means

(a) in relation to a company, the holding of a beneficial interest by another company or an individual or his close relation, whether singly or taken together, in the shares thereof, the paid up value of which exceeds ten per centum of the paid up capital of the company or the existence of a guarantee or indemnity for a sum not less than ten per cent of the paid up capital given by an individual or his close relation or by another company on behalf of such company;

(b) in relation to a firm, the beneficial interest held therein by an individual or his close relation, whether singly or taken together, which represents more than ten per centum of the total capital subscribed by all partners of the firm or the existence of a guarantee or indemnity for a sum not less than ten per centum of that capital given by an individual or the spouse, parent or child of the individual on behalf of such firm;

'unlawful activity' shall have the same meaning as given in the Prevention of Money Laundering Act, No. 5 of 2006.

[40,33 of 1995]
[41,33 of 1995]
[41,2 of 2005]
[42,2 of 2005]
[47, 24 of 2024]
[Section 2(4)]

SCHEDULE I

1. Algemene Bank Nederland N.V.
2. Amercian Express Bank Ltd.
3. Amsterdam-Rotterdam Bank N.V.
4. Bank of Ceylon
- 5 Bank of Credit and Commerce International (Overseas) Ltd.
6. Bank of Oman Ltd.

7. Banque Indosuez
8. Citibank N.A.
9. Commercial Bank of Ceylon Ltd
10. Deutsche Bank AG.
11. Grindlays Bank P.I.C.
12. Habib Bank A.G. Zurich
13. Habib Bank Ltd.
14. Hatton National Bank Ltd.
15. Hong Kong and Shanghai Banking Corporation
16. Indian Bank
17. Indian Overseas Bank
18. Middle East Bank Ltd
19. Overseas Trust Bank Ltd.
20. People's Bank
21. Standard Chartered Bank
22. State Bank of India
23. Union Bank of the Middle East Ltd.
24. Sampath Bank Ltd.
25. Seylan Trust Bank Ltd.
26. Any Bank established under the provisions of the Regional Rural Development Bank Act, No. 18 of 1986.

SCHEDULE II

[Section 3 (4)]

- (a) opening, maintaining and managing deposit, savings and other similar account;
- (b) the borrowing, raising, or taking up of money; the lending or advancing of money either upon or without security; the drawing, making, buying, selling, collecting and dealing in bills of exchange, hundees, promissory notes, coupons, drafts, bills of lading, railway receipts, certificates, scripts and other instruments, and securities whether transferable or negotiable or not granting and issuing of letters of credit or circular notes; the buying, selling and dealing in bullion specie; the buying and selling of foreign exchange including foreign bank notes on commission, underwriting and dealing in stock, funds, shares, debentures, debenture stock, bonds, obligations, securities and purchasing and selling of bonds, scripts, or other form of securities on behalf of constituents or others; the negotiating of loans and all kinds of bonds, scripts or valuables on deposits. or for safe custody or otherwise and the carrying on of the business of safe deposits, the issue of money and securities;
- (c) the carrying on of an agency function for and on behalf of the Government or local authorities or for or on behalf of any person in relation to the provision of financial services, or to act as the managing agent for any financial institution ;
- (d) contracting for public and private loans and negotiating and issuing the same;
- (e) the promoting, effecting, insuring, guaranteeing, under writing, participating in managing and carrying out of any issue, public or private loans or of shares, stock debentures, or debenture stock of any company, corporation or association and the lending of money for the same;
- (f) carrying on and transacting every kind of guarantee and indemnity business;
- (g) promoting or financing or assisting in promoting or financing any business undertaking or industry either existing or new, and developing either through the instrumentality of syndicates or otherwise;
- (h) acquisition by purchase, lease, exchange, hire or otherwise of any property immovable or movable and any rights or privileges which are necessary or convenient to acquire or the acquisition of which in the opinion of the company is likely to facilitate the realization of its objects.

company or to prevent or diminish any apprehended loss or liability;

- (i) managing, selling and realizing all property movable and immovable which may come into the possession of the company in satisfaction of claims ;
- (j) acquiring, holding, and generally dealing with any property and any right, title or interest in any property movable or immovable which is part of the security for any loans or advances or which may be connected with any such security ;
- (k) undertaking and executing trust including functioning as a trustee of any Unit Trust;
- (l) undertaking the administration of estates as executors, trustees or otherwise;
- (m) taking or otherwise acquiring and holding shares in any other company;
- (n) establishing and supporting or aiding in the establishment and support of associations, institutions, funds, trustees and conveniences for or for the benefit of employees or ex-employees of the company or the dependants or connections of such persons, granting pensions and allowances and insurance, subscribing to or guaranteeing moneys for charitable or benevolent objects or for any exhibition or for any public, general or utility purpose;
- (o) the acquisition, construction, maintenance and alterations of any building or works necessary or convenient for the purposes of the company;
- (p) selling, improving, managing, developing, exchanging, leasing, mortgaging, disposing of or turning into account or otherwise dealing with any property and rights of the company ;
- (q) acquiring and undertaking the whole or any part of the business of any person or company when such business is of a nature enumerated in this section;
- (r) doing all such other things as are incidental or conducive to the promotion or advancement of the business of the company;
- (s) engaging in management consultancy services;
- (a) the provision of management consultancy service and other technical support services;';
- (t) providing for the training in banking, accounting, valuation, project and credit appraisal and allied subjects;
- (u) engaging in the business of hire-purchase services, factoring, leasing and warehousing;
- (v) providing for medium and long term credit for development
- (w) the business of pawn broking;
- (x) entering into arrangements for a joint venture with any person or company for conducting a financial services enterprise or enterprises providing support services for the conduct of its business;
- (xx) any other business which the Monetary Board may authorize a licensed commercial bank to engage in.'
- (y) the acceptance of a sum of money in any manner or form from any person for a fixed period of time for investment in a bank on the basis that profits or losses of the venture will be shared with the person from whom such money is accepted in the time the money is accepted;
[§47, 24 of 2024]
- (z) the purchase of goods, to be sold immediately upon purchase to a buyer on deferred payment terms provided that the terms and conditions are specified by such buyer and the price at which such goods are sold to the buyer and the deferred payment terms are agreed to by the bank agrees with the buyer to purchase the said goods for sale to the buyer;'.
[§47, 24 of 2024]
- (aa) conducting offshore banking business.

SCHEDULE III

1. National Development Bank of Sri Lanka established by the National Development Bank of Sri Lanka Act, No. 2 of 1979.
2. Development Finance Corporation established by the Development Finance Corporation Act, No. 35 of 1955.
3. State Mortgage and Investment Bank established by State Mortgage and Investment Bank Act, No. 13 of 1975;
4. National Savings Bank established by the National Savings Bank Act, No. 30 of 11.1971.

SCHEDULE IV

[(Section 76C(4)]

- (a) accepting time and savings deposits and opening, maintaining and managing deposit, savings and other similar accounts carrying on of banking business as defined in this Act.
- (b) granting loans and advances or participating with other financial institutions in granting loans or advances, or participating with other financial institutions in granting loans or advances to any enterprise engaged or about to be engaged in industry, agriculture or commerce or any other enterprise:
- (c) granting loans or advances-
 - (i) for the purchase or lease of any land for the construction of a dwelling house ;
 - (ii) for the construction, repair, renovation or internal of a dwelling house ;
 - (iii) for the purchase or lease of a dwelling house;

(iv) for any purpose incidental, accessory or ancillary to any purpose mentioned in (i), (ii) and (iii) above; or

(v) for the liquidation of any debt already incurred for any purpose mentioned in (i), (ii), (iii) and (iv) above;

(e) providing short-term, loans and advances to any industrial, agricultural, commercial or other enterprise and financial institutional money market;

(f) arranging, guaranteeing, managing and syndicating loans either in rupees or foreign currency for any public or private association or for the Government or any local government authority whether from its own resources or from other banks

(g) participating in loans, equities, underwriting arrangements and guarantees with other financial institutions;

(h) undertaking wholesale lending to financial institutions;

(i) promoting and assisting in the promotion, establishment, expansion and modernization, of any industrial, agricultural enterprise including participating in raising capital both internal and external for such enterprise;

(j) guaranteeing loans raised or to be raised by industrial, agricultural, commercial and other enterprises from financial institutions with, other financial institutions in guaranteeing such loans;

(k) guaranteeing deferred payments due from any industrial, agricultural, commercial and other enterprises ;

(l) guaranteeing obligations of financial institutions arising out of the underwriting of capital issues of industrial, agricultural enterprises;

(m) participating in the equity of industrial, agricultural, commercial and other enterprises, and, subscribing to, or purchasing issue of stocks, shares, bonds or debentures of any such enterprises, and selling and dealing in such stocks, shares, bonds

(n) converting a part or whole of the bank's loans to industrial, agricultural, commercial and other enterprises, and in such debentures issued by any enterprise, into equity capital ;

(o) mobilizing and promoting savings and for that purpose issuing and dealing in savings certificates and other bonds, certificates

(p) accepting, discounting, rediscounting, buying, selling and dealing in bills of exchange, promissory notes, cheques, drafts, scrips and other instruments and securities whether transferable or negotiable or not, of industrial, agricultural, commercial

(q) promoting and introducing specialized financial products, services, packages and instruments;

(r) providing money broking and margin trading facilities ;

(s) assisting in the development of capital and money markets;

(t) undertaking trust functions including acting as managers of Unit Trusts;

(u) borrowing or accepting deposits from the Government or of agencies or institutions acting on behalf of the Government ;

(v) acting as agents for and administering the funds of any statutory body, corporation or other institution;

(w) managing, supervising, controlling or participating in managing, supervising or controlling any industrial, agricultural undertaking of a customer for the purpose of protecting the interest of the bank in any loan granted by that bank;

(x) buying, selling, exchanging debts of organizations on a commercial basis and providing, interest swap facilities and interest arbitrage

(y) providing such services as technical, financial, management or administrative advice and assistance to industrial, agricultural other enterprises;

(z) assisting industrial, agricultural, commercial and other enterprises in financial restructuring, amalgamations, Reconstructions, mergers.

(aa) undertaking portfolio management

(bb) undertaking development projects, including pilot projects, in industry, agriculture, commerce and other fields

(cc) buying, selling and dealing in bullion and specie and engaging in operations in exchange;

(dd) granting and issuing letters* of credit and circular notes;

(ee) receiving in consideration of the functions the bank may be performing, commissions, brokerage, interest, remuneration

(ff) undertaking rehabilitation of sick industries;

(gg) setting up or assisting the setting up of the necessary organization for selling or marketing any product of any undertaking;

(hh) engaging in the construction of warehouses, godowns, stores and buildings required for agricultural, industrial and com

(ii) acquiring or purchasing any movable or immovable property or any industrial agricultural commercial or other ente arranging for the management of such property or enterprise and selling or otherwise disposing of such property or enterpri

(jj) Purchasing leasing letting or hire selling outright or selling on a hire-purchase basis warehouses, godowns stores equipment and other goods;

(kk) Investing moneys if the bank:

(ll) conducting survey studies and seminars in the sold of economics, finance, development- management and related field

(mm) conducting lotteries. and prize competitions

(nn) the acceptance of a sum of money in any manner or form from any person for a fixed period of time for investment in a business ven that profits or losses of the venture will be shared with the person from whom such money is accepted in a manner determined at the t and;

(oo) the purchase of goods, to be sold immediately upon purchase to a buyer on deferred payment terms provided suppliers are specified by such buyer and the price at which such goods are sold to the buyer and the deferred payment the time the bank agrees with the buyer to purchase the said goods for sale to the buyer;

(pp) any other business which the Monetary Board may authorize a licensed specialized bank to engage in.'